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Central European Regional Policy and Human Geography

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HUMANISTIC PARADIGM OF GEOGRAPHY

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Abstract: The peculiarities of formation and development of humanistic ideas in scientific investigation are explored. The main humanistic ideas in natural sciences are investigated. The role of geography in humanization of post-disciplinary knowledge is defined. The development of humanism in geographic sciences is historically analyzed. The main directions of further humanization of geographic as well as post-disciplinary knowledge's are disclosed. There are the main direction of humanization in geography: from anthropocentrism – to humaneness, from systemness – to humanistic synergy, from quantitative methods – to its further qualitative analysis and humanistic interpretation as well as from territorial differentiation – to philosophic fundamentals of global geo-space. The necessity of current geographic paradigm alteration is substantiated. The imperative of humanistic thinking in geography and natural science as well is defined.

Key words: Scientific paradigm, humanization, post-disciplinary knowledge, quantitative and humanistic methods, humanistic values, imperative of humanistic thinking in geography.

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INTRODUCTION

Scientific investigations of post-non-classical period of time are based on concept of transfer from disciplinary knowledge to post-disciplinary one that has humanistic significance and value. The main scientific goal of this new knowledge consists in not only ordinary anthropocentric researches in different scientific branches. First of all, it consist in integral, non-utilitarian scientific approach to problems of humaneness, investigation of essence and role of human persons in environment and also in development of common to all mankind knowledge and values in every scientific directions.

Thus, such above mentioned aspects of current scientific transformation influenced on development of humanistic paradigm in modern geography. Indeed, the necessity of humanization of geographic knowledge was substantiated as far back in 19 century in scientific works both of European and Russian scientists, such as: A. Humboldt, P. Smenov-Tyan-Shanskey, A. Synyavskiy, S. Rudnitskiy, K. Voblyi, etc. Moreover, the French scientific school of geographers made an important contribution to development of humanistic ideas in 20 century. But, unfortunately, after development of so called quantitative revolution in geography, the humanistic approach was forced out in the background, especially in Eastern European countries. Further humanization of geographic knowledge in post-soviet countries begins to develop nowadays in scientific works of S. Moroz, V. Maksakovskiy, V.

Preobrazhensky, Yu. Golubchikov, etc. This process become to the brand-new level of the development with formation of post-disciplinary knowledge based on hermeneutics approach to scientific investigation. But, unfortunately, the humanistic paradigm in geography could not replace completely a systematic one and could not become a fundament of geographic investigation in post-non-classical period of time. The substantiation of this paradigm and its role in geographic science is the main scientific goal of this work.

WHAT IS HUMANISM IN SCIENTIFIC INVESTIGATION?

Philosophy and humanities define humanistic paradigm in different branches of science as somehow anthropocentric approach to scientific investigations that has a value of human person and humaneness as the main goal of perception. The main idea of humanism is harmonious development of human abilities, high level of human culture and also corresponding behavior toward other people or environment. According to Kant, humanism is the sense of welfare in every relation with other people. On the one hand, it's a general sense of collaboration; on the other hand it's a possibilities and properties of creation an adequate society using scientific efforts. For classical teaching of Herder, humaneness is the main goal of human development generally and also the main goal of different human activities particularly (including scientific activities).

Humanistic ideas had received a further development in hermeneutics teaching in post-non-classical period of time. According to Gadamer G.-G. (2000), humanism is a doctrine of "comprehension" (integral emotional and spiritual experience) of essence of different processes and phenomena both natural and social. It's very different from traditional "explanation" of various phenomena that makes up the main topic of scientific investigations nowadays. This "explanation approach" led to dehumanization of natural scientific knowledge, rejection of common to all mankind values and, as a result, to formation of reductive conception of nature, its structuralistic, mechanistic interpretation without any synergetic characters.

Dehumanization eliminated unity of scientific perception and comprehension of nature that led to structural dissipation and decomposition of science into different branches. According to Ischuk S. et al: (2003), the process of scientific perception was direct "to the deep of the science". This means that any scientific investigations were used for structural analysis, definition of regularities and principles of object of inquiry. But science lost its humanistic character and became aloof from human problems and values.

Therefore, humanistic ideas of modern science consist in views on existence and development of the world *sub specie aeternitatis*. Its categorical tools could be complete with human values known since earliest times that could become the basis of theoretic generalization and practical applied activities. This process of transformation of science and philosophy demand the development of new humanistic paradigm that would be the basis of scientific perception process. Thus, humanism will transfer from past abstract philosophic ideas to the brand-new practically active form that would be grounded on introducing of humanistic ideas and values in scientific investigations.

HUMANISTIC IDEAS IN NATURAL SCIENCES

Humanistic ideas more and more transfer from philosophy or humanities to natural sciences. Their usage is not limited with separated scientific branches. According to Zamyatin (2003), they will become the basis of a new post-disciplinary knowledge of global society in the nearest future. The main goal of humanistic ideas is not only small-type non-humanistic

process of “explanation” of different regularities and principles that lead to reductive view on the object of inquiry, but first of all, it is comprehension of any processes and phenomena as single historically concrete ones. This means that the main goal of scientific investigations is not consist in mechanical fixation of different knowledge and their enlargement to deep understanding of general laws of nature/society development. But it consists in understanding the essence and origin of nature or society, their process of formation and their inner properties. So, science would try to answer why any processes and phenomena are being as they are. Additionally, scientific investigation would be serving to problems of humaneness that are not the simple abstract anthropocentrism and also not utilitarian and personificated „satisfaction of human needs”, but, perfectly, there is a harmonic development of human nature, their intellectual, creative and cultural growth. According to Drabber (1875), humanistic ideas and common to all mankind values will return to European science after the century of so called “ages of rational oldness” that means as the time of decreasing of rational and formal thinking. Drabber said that the new growth of humanistic ideas will become over quantitative scientific progress and try to unite dissipated knowledge about the world into one conglomerated comprehension.

Therefore, there are two point of views on development of humanistic paradigm in scientific investigations: as on consolidation of common to all mankind values and humaneness through the process of scientific perception and also as on scientific comprehension of the essence of any processes and phenomena as integral emotional and spiritual experience that is different from traditional systematic concept because has a lot of additional unaccounted components.

THE DEVELOPMENT OF HUMANISTIC IDEAS IN GEOGRAPHY

Geography is one of the few in number of natural science that has old and rich humanistic traditions. According to Pistun M. (1996), geography would come one of the first places among different natural sciences with the development of humanistic post-disciplinary knowledge because it unite different social and natural sciences and determine close relations of this two polar systems. Geography is the unique science not only because it include different sciences but firstly because it provide deep comprehensive investigations of the Earth's space and its components both material and non-material in their unity, integral appearance and interdependence. But, unfortunately, modern scientific-perceptual concept of geography develops perfectly in natural direction, non social or joint socio-natural. This is the cause of important decreasing of geographical scientific possibilities. Dehumanization of geographic investigations led to reductive concept of the nature and its space, the role of human persons in nature, their intellect, culture and values.

Humanistic ideas in modern geography were established by brothers Humboldt. After his brother Wilhelm, Alexander von Humboldt in his several fundamental works defined the world as natural whole that moves and revives by inner forces. He tried to unite classical idealism with natural sciences that rise to philosophy by their perceptual level. In two of his fundamental works „Entwurf einer physischen Weltbeschreibung” and “Ansichten der Natur” Alexander von Humboldt substantiate the integral scientific picture of the world based on humanistic values and wide scientific analysis. His ideas had received a wide development among Russian geographers and naturalists of 19 century, such as: P. Semenov-Tyan-Shanskey, M. Przhivalskey etc.

Humanistic ideas if geographic investigations were continued in chorological concept of Alfred Hettner. According to Hettner (1930), geography among its perceptual possibilities has a lot of esthetic properties and art directions of investigations. In his scientific work “Die Geographie, ihre geschichte, ihr wesen und ihre metoden”, Hettner substantiate esthetic and

practical value of natural landscapes, their role and significance in the development of geography and other natural sciences. According to Hettner (1930), aesthetics and art in geography don't be directed against its scientific character. Firstly, they could be devoted to reduce the significance of practical (applied) aspects of investigation. Humanistic ideas in Ukrainian geography were supported by V. Antonovych, S. Rudnitskey, A. Sinyavsky etc. They were the same with Hettner concept and were directed to wide studies of local lore and description of any territory in natural and socio-geographic aspect.

Geographic investigations mentioned above were founded on qualitative analysis that has permanently abstract and descriptive character. Their humanistic component was inactive, isolated from concrete problems of the development of nature and peoples in it. But, the origin of humanistic ideas in geographic investigations made the main fundament of further development of this science that becomes more actually in post-non-classical period of time.

THE ROLE OF MODERN GEOGRAPHY IN HUMANISTIC POST-DISCIPLINARY KNOWLEDGE

Modern geography is almost completely cleared from descriptive and speculative character of scientific investigation. It has various numbers of quantitative formalizing scientific methods based on mathematical and statistical analysis, modeling and logics. Their origin and development are corresponded with society demands for practical usage of scientific knowledge. Moving away from abstract-theoretical and descriptive methods, geography becomes more and more an exact and applied science with such theoretical fundamentals and practical activities that based on collection, systematization, analysis and interpretation of initial (both experimental and statistical) information. Essentially, the wide mathematization and of geographic sciences was increasing by all-time rising quantity of information. With removing of humanistic problems, geography lost its universal character and provides perfectly quantitative investigation of the space.

Such "quantitative revolution" in geography led to domination of mathematical and statistical methods in scientific research. According to Saushkin (2001), geography investigate dynamic and spatially (both territorial and aquatorial) dislocated systems that include nature, economy and society which are united with different straight and back relations. The systematic approach based on the same name paradigm and also structural analysis and synthesis have been permanent in geography to our time. Following of "quantitative revolution" insisted on that the development of complex geographic investigations based on wide massive of mathematical calculations would be possible with rapid development of computer's systems and cybernetics founded at the centre of 20 century. In his opinion, exact science in the nearest future would make it possible to investigate all components of geographic reality as someone aggregate of formalizing data or matrix that would take into account most components of geographic systems (complex). But, such whole integral mathematization of geography and development of universal quantitative method of spatial investigation did not take place.

On the contrary, mathematization of geography broke integrity of this science and perception of its object of inquiry. Instead of hermeneutics "comprehension" of essence of different geographic processes and phenomena, our science came to partial formalizing "explanation" of their separate sides or properties. The expansion of quantitative methods led to mechanistic reductive conception of geographic reality that consists in any aggregate of quantitative data that received an abstract character and lost contact with the territory. Actually, geography lost his aggregate humanistic picture of nature *sub specie aeternitatis*

that was founded before mass systematic quantitative investigations. Geography became to such situation that was characterized by Juvenal as *propter vitam vivendi perdere causam*.

The usage of systematic paradigm and also wide and different number of quantitative methods can answer on only partial questions of territorial development. More and more geographic facts could not be formalized generally. They can be involved into such investigation only partially without any essential inner properties. Geographic reality is wider than just formalized systems. Therefore, the effectiveness of quantitative geographic investigations is limited due to imperfection of mathematical tools. Interpretation of formalized data could not completely investigate the development of different integral natural and social processes. Using mathematical methods, geographers could not analyze and explain all aggregate components of territorial systems. Scientists explained this problem saying that territorial systems are very complicated. They depended on a lot of different factors. To investigate them using quantitative analysis, scientists need to simplify and schematize them. But the main problem of spatial investigation consists in dehumanization of geographic knowledge and also in disregard of humanistic elements in geographic systems. This problem was widely covered by Noble prize laureate Ivan Bunin. According to him, geographers take quantitative methods as a cover in their work. Using such methods they investigate only several elements of geographic reality and make them simplify and schematize wittingly. They only define systemness of any territorial complex and devoted to support of this system. So, such methods are correct only within speculative quantitative system and separate from reality.

Some scientists had critical opinion about quantitative methods and dehumanization as early as the beginning of “quantitative revolution”. They make protest against over-indulgence of economics and sociology in human geography and also of physics, chemistry and biology in physical geography. This gave occasion to rising criticism against quantitative methods, simplifying of geographic reality and underestimation of qualitative methods of analyzing. The following of quantitative methods contended that classical direction of geography as science “with aggregate picture of the nature” is also very important but insisted on predominance of mathematical and formalizing analysis.

Nowadays, many scientists pay a great attention to description of different territories with socio-cultural, economical and landscape-esthetical points of view. According to Zamyatin (2003), such analysis devoted to informal humanistic-oriented investigations of the territory and called “analysis of geographic images”. This gives every reason to development of humanistic ideas in different parts of geography. As a result, according to Golubchikov (2003), geography is defined as the science about harmony and beauty of the terrestrial globe. According to Moroz S. et al: (1997), humanistic elements in geography defined also as new *weltanschauung* based on common to all mankind values that gives the first place in scientific investigation to human persons and humaneness. The great humanistic value of geographic investigation and description of different territories and nations have been confirmed more than once by such well-known Russian literary men as M. Gogol, K. Paustovsky, M. Voloshin, I. Bunin etc.

THE DIRECTIONS OF FURTHER HUMANIZATION OF GEOGRAPHY

We'd presented above only a few directions of geographic investigation with remains of humanistic knowledge. The wide process of humanization in our science on the level of transformation in conceptual fundamentals is a possession of future. For further development of humanistic ideas in geography we can provide a various number of such transformations. There are four main direction of humanization in geography:

1. **From anthropocentrism – to humaneness.** Traditional anthropocentric concept in geographic investigations based on practical orientation of our science for most complete satisfaction of human needs. But, such scientific approach is very utilitarian. Anthropocentrism means that the human needs are a center of scientific problems and their satisfaction is a main goal of any scientific investigation. But, geography as any other science could be involved into problems of humaneness and common to all mankind values, not individual persons. According to Voblyi (1947), geographic investigations could assist in any men perception of his role in the world, develop high esthetic, cultural, moral and living principles and also could assist in balanced natural resources usage and humanization of society.
2. **From systemness – to humanistic synergy.** Most of geographic objects are considered as complex and compound system of different components and relations. According to Preobrazhensky (2001), it consists of ample quantity of heterogeneous elements when every one of them play its own role, has own inner relations, number of chain reactions, inner mechanism of stability and autoregulation. But most elements of geographic space are not corresponded with traditional comprehension of system, especially based on quantitative methods. Classical system in itself has no humanistic elements, so it cannot illustrate geographic reality in adequate manner. Therefore, according to Pistun (1996), geographic systems included not only material components of human activities but spiritual ones also. But, such spiritual components cannot be involved into formalizing and mechanistic concept of systemness. Systematic paradigm that based on concepts of natural and exact sciences could be completed with new humanistic elements that will provide integral and informal approach to investigation of any object of inquiry. Every geographic landscape or complex has elements of humanistic synergy. Such elements were out of research due to imperfection of systematic approach. Therefore, according to Preobrazhensky (2001), physical geographers could realize humanistic elements in natural investigations and also social geographers could study human geography firstly. According to Golubchikov (2003), geography would combine all elements from every science into one symphony, one landscape. To feel the soul of landscape, to study his music and harmonic elements is the main topics of geography.
3. **From quantitative methods – to its further qualitative analysis and humanistic interpretation.** The criticism of quantitative methods in geography had begun since the time of their introduction. Some scientists warned against wide usage of above mentioned methods because they lead to simplification of geographic reality, development of small-type applied investigations that cannot illustrate all processes and phenomena in geographic space in an adequate manner. These scientists insisted on further synthesis and qualitative analysis with creative interpretation of the received results that could complete quantitative investigations. According to American school of geographers, the strict scientific method not concludes the perception of geographic object of inquiry. Undoubtedly, the introduction of new humanitarian methods in modern geography could be possible only with wide usage of formalized methods and computer systems. But, scientific tools of geographers could not be limited only with them. Geographers would use both formalized and non-formalized methods in their investigations, both quantitative and qualitative ones with their further humanistic interpretation and predominance of universal, common to all mankind values.
4. **From territorial differentiation – to philosophic fundamentals of global geospace.** This direction is devoted to definition of the main topics of geographic investigations and also to characteristics of geographical objects. According to Preobrazhensky (2001), the main problem in definition of essence of geography consists in different points of view on its object of inquiry. Prof. V. Preobrazhensky said:

“What is geography? Is it a science about complexes? Or, is it a science about territorial differentiation of any processes and phenomena on the Earth? But, if this is the case, is there is any difference from geography and geology or geophysics? May be, geography is a method of solution of different problems, e.g. for investigation of natural resources usage or economic division into districts? As for me, geography is a somehow complex + many-dimensional terrestrial = biota, peoples, space. But a lot of sciences thought that it is a question of simple processes and phenomena in three-dimensional physical space”. Therefore, geography cannot be limited by narrow bounds of perception of spatial system and relations. The bounds of geography are wider than above mentioned and extend to problems of universal comprehension of philosophic fundamentals of global geo-space with its different properties and development. These bounds provide close relations of geography with philosophy and humanities and also lay the foundation of new post-disciplinary knowledge.

Therefore, these four directions of humanization in geography described above would determine gradual transfer from systematic to humanistic paradigm in geography that would be based on common to all mankind values. This would allow investigating geographic reality from the position of hermeneutics.

CONCLUSIONS

Humanization of life in global society demand for development of new post-disciplinary knowledge based on humaneness and common to all mankind values in scientific investigations. Geography becomes one of the key sciences in this process because it has natural and social elements simultaneously. Its subject of inquiry includes both of above mentioned components. Geographic investigations transgress the bounds of formalized systematic methods of analysis of different landscapes or economic/social complexes. They could not be limited also by description of different territories, their similarities and varieties. Geographic science could develop both direction of scientific analysis (humanistic and systematic), based on common to all mankind values. Systematic paradigm could be supplement with unaccounted humanistic ideas and values that will occupy a fitting place with traditional systematic components. Humanistic elements would give to geography new characters of post-disciplinary knowledge. Humanization of geography could be possible only with wide usage of modern IT and computers systems. But it could not be limited only with quantitative methods of investigation. It could combine these methods with further humanistic investigation.

Therefore, modern geography could be based on imperative of humanistic thinking. Its great philosophic, cultural and world outlook potential occupies a fitting place among humanitarians as systematic spatial research occupies the same place among natural and exact sciences. The humanistic paradigm in geographic investigations will assist in reduction of systematic mechanistic approach and allow developing new conceptual fundamentals of our science that will keep elements of lost scientific unity and begin the basis of the development of new post-disciplinary knowledge.

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TRANSPORT CONNECTIONS AND LOCATION CHOICE OF INDUSTRIAL PARKS AND THEIR ENTERPRISES IN HUNGARY

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Abstract: After the change in the political and economic systems relevant changes have taken place in the Hungarian industry and its location choice. Based upon two surveys the main purpose of this study is to reveal the role of transport endowments and different transport networks in the location choice of industrial parks and their enterprises. The research has clearly demonstrated that the main attraction for industrial establishments is the good conditions for road transport, especially the routes of motorways. It has also become obvious that there is a close correlation between the main indicators of industrial parks and the quality of their transport infrastructure. Transport connections have had a great impact on the development and spatial pattern of Hungarian industry.

Keywords: industrial parks, transport, accessibility, Hungary

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INTRODUCTION

Industrial parks forming the new scenes of industrial production have already appeared in Hungary in the beginning of 1990s, but their number started to increase at a very rapid pace only from 1997, because the new governmental development program for industrial parks was introduced at that time (Kiss, 2010). In fact, that, where industrial parks were established, has depended on numerous factors. Of which, the most important ones are the development of transport infrastructure and the running of different transport networks. At least, this was our starting hypothesis that was attempted to examine from closer within a four year OTKA (National Scientific Research Fund) project (project number K 75906) (Kiss and Tiner, 2012). And the experiences of this research are summarized in this study based upon the presentation which was delivered on the 6th Hungarian Geographical Conference, and which was selected as the best one of its session.

In the course of the research three basic purposes were set up, which are the followings:

- to reveal the relation between the more important features of industrial parks and their transport connections, with particular regard to top 500 firms and industrial parks of less developed counties,
- to analyse the role of transport infrastructure in the location choice of industrial parks,
- to examine the relationship between the transport requirements of firms settled down in industrial parks and the transport endowments of industrial parks.

The results of a questionnaire survey carried out in two phases make possible replying to the questions. First, a survey was carried out in the circle of industrial parks. In this case the questionnaires containing 19 questions were sent to all industrial parks, but only one third of them (72 industrial parks) answered the questions which can be considered a fair rate, particularly if we also take into consideration that 10-20% of industrial parks did not operate (Kiss, 2010; Regós, 2007). One part of the questions of the questionnaires referred to the main features of industrial parks (e.g. the year of foundation, the size, the type of investments, the number of enterprises and employees). The other part of the questions referred to the transport geographical connections of industrial parks. In the interest of accuracy, it is necessary to mention that not each question was responded by each industrial park. There were such questions which were not replied because of some reason by one or more industrial parks.

The second survey was carried out in 2011 after working up the first survey. During this year 23 industrial parks with balanced regional distribution were chosen for further investigations from the 72 industrial parks classified into different groups in 2010. 83 so-called "transport intensive" companies situated in those 23 industrial parks were selected in a way that each NUTS-2 region of the country was represented by 3-4 parks. The suitable level of transport connections is of great importance for the firms aiming rapid access both to domestic and international markets.

The investigation of transport intensive firms was made by questionnaires containing 21 questions. The most important questions referred to the year of foundation, the profile of the firm, the ownership structure, the number of employees, the transport position of industrial parks inside the transportation network, the network links and the accessibility of network nodes for industrial parks within the transportation system, the level and the condition of transport infrastructure inside the industrial parks, the reasons for settling in these parks, the volume and the seasonal waves of input-output flow of production of the firms, the place of origin of the input and the destination of the output.

In the course of both surveys the number of respondents seems to be low, but it has to be considered that it is very difficult to get any kind of information or data from industrial establishments. In most cases they did not reply to any question because of business secrets. In spite of this, we think that the available answers made possible to execute the aims set up.

Besides the two surveys mentioned above we also analysed the spatial pattern of top 500 firms by revenue and profit as we supposed that the quality of transport network and transport infrastructure also had an impact on their spatial distribution and position. Using the data of Creditreform made possible to demonstrate the changes between 2005 and 2009 in the ranking of the top 500 firms settled in the industrial parks of modestly and weakly developed counties (Creditreform, 2010ab; Tiner, 2010ab).

This study consists of four major parts. After the short introduction we analyse the role of transport in the location choice as the theoretical background of the research. In the next part the major characteristics of industrial parks are summarized. Then, the results of the survey carried out among industrial parks in 2010 are demonstrated and finally, the major consequences of the survey carried out in 2011 will follow before the conclusions.

SOME CONNECTIONS OF THE LOCATION CHOICE AND TRANSPORT

Until the middle of the 19th century the issues of location choice of industrial establishments did not arise, because at that time the movement of means of production was quite limited (Kozma, 2003). The turn took in the second half of the 19th century when the achievements of industrial revolution gained larger and larger ground, national states were established and the railway building prospered. The spatial structure of railway network and its junctions had a great impact on the economic development and industrial location choice, which resulted in dynamically developing industrial belts along the main railway lines. Railways played a leading role in the process of industrialization and in the establishment of new industrial sites or in other words in the location choice of new factories and workshops. The railway construction had a favourable impact on the industrial development in Hungary too. The most frequently the main railway lines attracted the new industrial locations and thus they became the axes of economic development, where relevant economic (industrial) centres appeared.

In the 20th century the technical development of transport, the appearance of passenger cars had a revolutionary impact on overland transport. The shift from the railway era into the motorway age was much slower in the Eastern part of Europe than in the Western one, where this process accelerated only in the early 1990s after the political regime change. Consequently, the inequalities in the branches of transport between the Western and the post-socialist countries have considerably diminished by now. During the last decades the considerable increase of the length of public road network in Hungary and the favourable change of its quality have also contributed to this. Between 1990 and 2013 the total length of motorways and motor roads extended from 349 kilometre to about 1500 kilometre. Nowadays they miss only from four counties (Békés, Jász-Nagykun-Szolnok, Nógrád, Vas). In each of them – except for Vas county – the intensity of (re)industrialization has grown to a more modest size after 1989 compared to the Northern part of Transdanubia, and the foreign capital did not show any interest towards them either. This also indicates that transport connections and accessibility still play an important role in the location choice. Though, during the last one and half century the viewpoints and the issue of location choice have also gone through marked changes.

In the beginning of the 20th century the minimization of transport costs was considered the most important aim in the location choice. The first location theories also strove for this. Later, parallel to the building out of transport network and to the transport technical development the accessibility of each region or settlement has got better. Relevant time-space convergence has taken place, which has gone together cost-space convergence (Kozma, 2003). The considerable decrease in transport costs has involved their decreasing role in the location choice. In the 21st century, however, in the strongly globalized world economy facing with numerous challenges the importance of transport costs can also increase, which can be connected partly with the economic crisis broken out a couple of years ago and partly with the increase of energy prices.

Nowadays the issues of location choice in industry are already rather complicated and it is very difficult to determine the exact role of each factor (Kiss, 2010). But it is unquestionable that subjective factors have got larger and larger attention instead of objective factors making the not simple location choice more difficult.

During the socialist era there was not a real location choice in Hungary like in other socialist countries, because the decision on the location of a factory or a plant was made by a “top-down” way. Consequently, the natural, social and economic factors of the given place did not or could not play a more special role in the location choice, namely where a new factory to

be established. Due to this the transport endowments and the quality of transport connections were not important either. This can be traced back primarily to the transport network, mainly to the underdeveloped motorway network and to that transport costs were very low. They had only a marginal influence on site selection criteria on the large industrial investments (Barta and Enyedi, 1981).

After the change in the system relevant changes have taken place in the location choice of Hungarian industry, which can be explained by passing on the market economy, by the increasing number of industrial actors, by sharpening competition and the effect of global economic processes. In consequence of all these the circle of factors playing role in location choice and the importance of each factor have also been modified. After 1989 not only the importance of geographical location has increased but also the accessibility of each place, each site. Particularly, these factors played an outstanding role in the site selection of foreign investors. The accessibility is closely connected with the development of transport infrastructure which also went through significant development during the last decades. This can also result in in Hungary and other post-socialist countries as in developed western countries that the influence of transport infrastructure will be pushed into the background (Bodor, 2001). The results of our four year research project have also confirmed this. At the same time other factors (for example: qualification of labour force, development of infrastructure) will have a relevant impact on the decisions of location choice in the future too.

MAJOR CHARACTERISTICS OF INDUSTRIAL PARKS SURVEYED

Nearly two third of the industrial parks (72 altogether) taken part in a survey made in 2010 were established before the turn of the millennium. Since a long time has passed since their establishment, there has been an opportunity to build up the infrastructure of their communication and strengthen their connections of transportation. The rate of the industrial parks established between 2001 and 2005 and after 2005 are nearly the same. The answers of the 72 industrial parks reflect well the distribution of all industrial parks by the year of their establishment. Nearly half of them were established in 1997 and 1998 so they belong to the group of older industrial parks (Figure 1).

Due to the increase of industrial parks after 1997, their spatial pattern became more even, although the spatial distribution of the respondents is uneven. Mainly they were concentrated in Central Transdanubia, in Central Hungary, in Northern Hungary and the Great Plain, while the other parts of the country were represented by less industrial park. This disproportion is attributed that almost two thirds of industrial parks are situated to the north of the Miskolc-Kaposvár line with SW – NE direction.

According to the character of investments, industrial parks can be categorized into three main types: greenfield, brownfield and mixed ones. 28 of 72 investigated industrial parks were the result of greenfield investments, further 32 industrial parks were brownfield ones and the rest of them belonged to mixed type. In the location choice of industrial parks many factors are weighted by experts. Their decision is also influenced by the type of investment of industrial parks. In case of greenfield industrial parks, their enterprises mostly have a possibility for the realization of the most favourable transport connections and other service infrastructure (e.g. parking places) for them. As a consequence they can have a great impact on the shaping the transport network within industrial parks in order to be the most useful and economic. They also have a larger possibility for the real choice of their location. Thus, their transport connections meet their transport requirements the most. In contrast, brownfield industrial parks have to face with more limited possibilities and they have less freedom to form their already existing transport infrastructure. The firms settled in the

industrial parks must take into consideration the previously constructed transport infrastructure, the quality of which is generally far from the modern and high-tech ones built up in the greenfield industrial parks. Presumably, transport possibilities and facilities available in brownfield industrial parks determine the type of enterprises settled in.

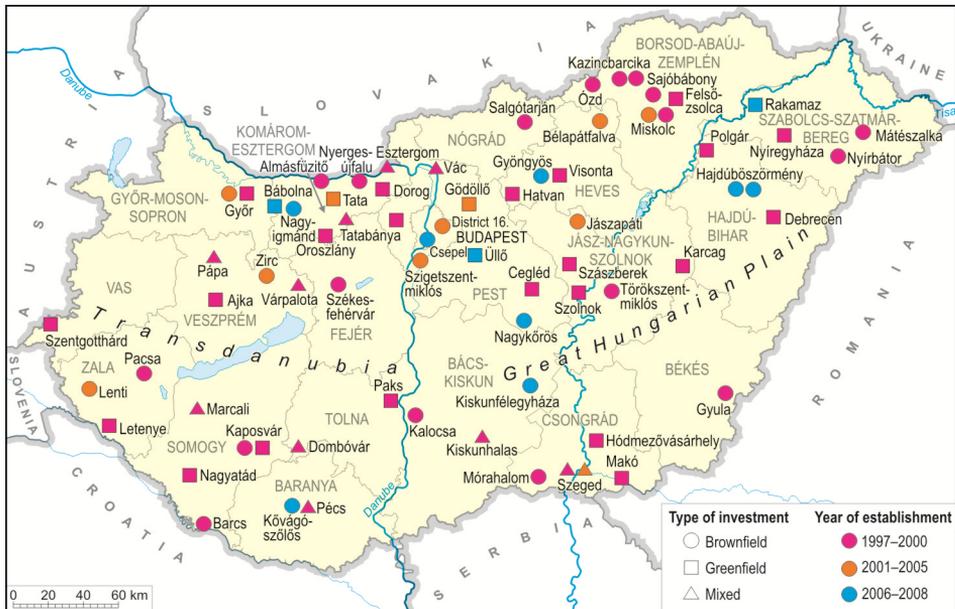


Figure 1 Industrial parks by the time period of establishment and by the character of investment, in Hungary 2010

Source: survey carried out in 2010

The area of industrial parks is rather different. Most of them have less than 50 hectare area. This is owing to that, the ideal size of industrial parks is estimated at 30–50 hectares (Rakusz, 2000). The number of industrial parks with more than 100 hectares was 17 among the surveyed (while in the early 2000s that number was 23 of all industrial parks), and this refers to that the number of industrial parks with large area has increased during the last decades. Only a few of the industrial parks with large area are greenfield investments (e.g. Győr Industrial Park, Szentgotthárd Industrial Park and Nyíregyháza Industrial Park), their majority belong to brownfield and mixed type ones.

General experience, that industrial parks with few entrepreneurs have few employees as well. In 2010 78,315 persons were employed at more than 1,800 firms in the 72 industrial parks altogether. It equals to 25 enterprises and 1,088 employees per industrial park an average. Actually, the values of the latter indicator are under the average in two third of all industrial parks, so the real number of their employees is much smaller than the average. Several industrial parks with less than 10 enterprises operated in the Great Plain (e.g. in Jászapáti, Törökszentmiklós, Makói and Kiskunfélegyháza Industrial Parks) and in Transdanubia (e.g. in Nagyatád, Barcs and Zirc Industrial Parks). However, more than 100 firms belonged to only two brownfield industrial parks (Ózd Industrial Park and Budapest District 16 Industrial Park) of all interviewed. Most workers are employed not only in these two industrial parks but in five additional ones (Esztergom Industrial Park – 7,750 persons;

Tatabánya Industrial Park – 5,600 persons; Győr Industrial Park – 4,554 persons; Hatvan Industrial Park – 4,247 persons and Nyíregyháza Industrial Park – 4,000 persons). The smallest number of employees worked in Almásfüzitő Industrial Park (30 persons), Barcs Industrial Park and Polgár Industrial Park (40–40 persons).

In the Hungarian industrial parks several thousand (in 2010 almost 4,000) firms are located. Many of the top 500 firms of the country by revenue and profit are also located in industrial parks. There is no doubt that their good position is closely connected – directly and indirectly – with their excellent transport geographical location and good transport connections. This can be also a reason why the Central Hungarian region concentrated 45–61 per cent of top 500 firms between 2005 and 2009. Its share of profit and revenue is still high (Tiner, 2010a). During the last years the changes in the profit and revenue reflects heavy concentration into Budapest and its agglomeration zone, the “superhub” region with the most developed transportation network.

Surveying the location of firms operating or producing in the industrial parks of more modestly or weakly developed counties and belonging to top 500 by their annual revenue revealed that their number is very low, i.e. merely 28 (38 per cent) as the total number of firms located in this group of counties was 74. Among them considerable regional inequalities can be found (Tiner, 2010b). A closer examination of the data makes clear that 14 top firms have lost their position in ranking between 2005 and 2009. The average position loss exceeded the value of –73. Only 7 companies have managed to get higher position in this period, but this step was not spectacular (their average win has reached + 46 only). Further 7 firms managed to join to the club of top 500 between 2005 and 2009 (Figure 2).

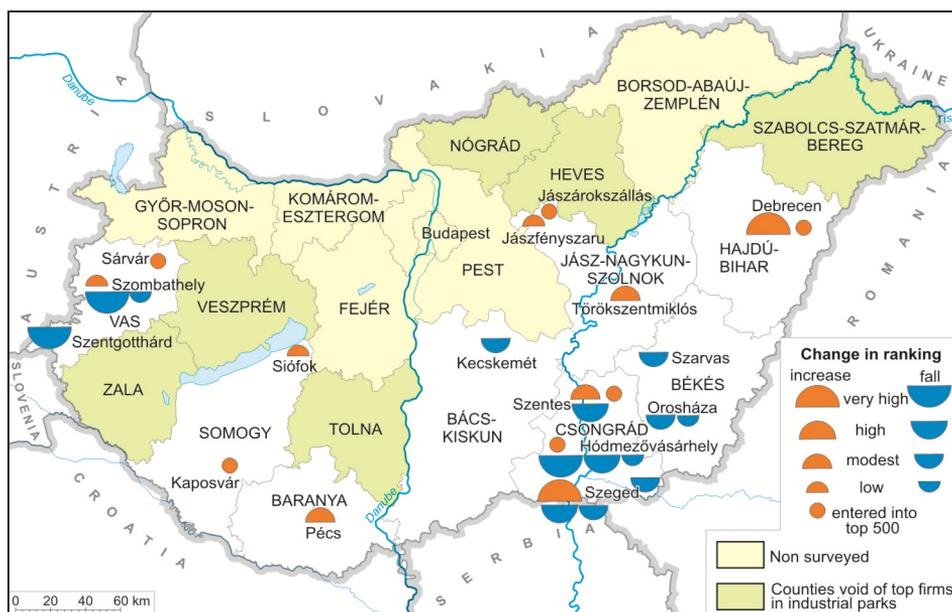


Figure 2 Tendency and the rate of change in the ranking of the top firms settled in industrial parks of modest or less favoured counties by their annual revenue in Hungary (Edited by Tiner, T. 2010)

Source: Creditreform, 2010a

The regional pattern of winners demonstrates the relatively good position of firms located in the industrial parks of the counties belonging to Northern Great Plain Region and partly in Southern Transdanubia. The losers are mainly concentrated in the counties of Southern Great Plain region with few exceptions (e.g. ContiTech Rubber Industrial Ltd., Szeged; Legrand Hungary Co., Szentes) and in Vas county within Western Transdanubia Region.

When the profit of these firms accommodated in industrial parks is investigated the picture seems to be mixed. Firstly it can be stated that among the firms located in industrial parks of the 14 modestly or weakly developed counties and belonging to top 500 by their profit only 22 are profitable. The total number of firms belonging to this group of counties is relatively small (only 86). The rate (22 to 86) is an unfavourably low (26 per cent), marking a low economic efficiency of top firms located in industrial parks of the 14 sample counties (Figure 3).

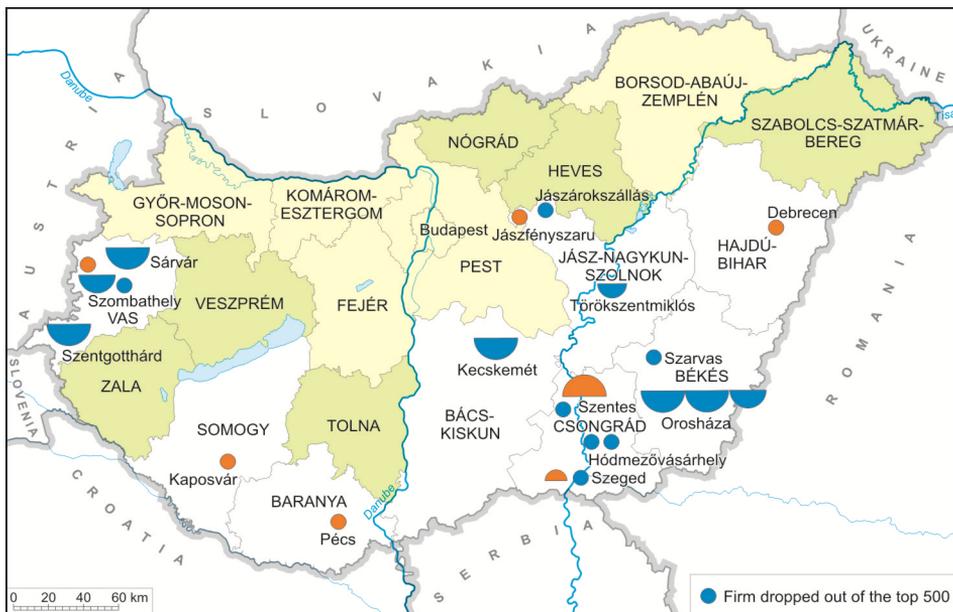


Figure 3 Tendency and the rate of change in the ranking of the top firms settled in industrial parks of modest or less favoured counties by their profit in Hungary (Edited by Tiner, T. 2010)

Source: Creditreform, 2010b

The regional pattern of these 22 firms demonstrates the falling of profit of the top firms located in industrial parks of the 14 counties. Their substantial part (9 per cent) belong to Southern Great Plain Region (with a concentration in Csongrád and Békés counties), a smaller group (4 per cent) to Western Transdanubia (Vas county). Tendency of change in the case of the firms located in Northern Great Plain Region and Southern Transdanubia seems to be positive, but the size of this group is unfavourably small. As we see later these are mainly those counties where the transport connections are not so favourable, where motorways still miss. Besides the unfavourable transport endowments the economic crisis also contributed to this (Kiss, 2012).

About 50 per cent of the available area is occupied by firms in more than two thirds (70 per cent) of industrial parks which seems to be a very favourable rate. It means that the major part of their area is in permanent use. Less than 50 per cent occur only in case of a few newly (a few years ago) established industrial parks in Northern Transdanubia and Northern Hungary. Industrial parks with occupation rate of 25–50 per cent operate mainly in the Great Plain regions. The largest differences between industrial parks with high and low occupation rates are demonstrated along the Miskolc-Kaposvár line. The majority of industrial parks with high occupation rates are located to the North of that hypothetical line. The main part of industrial parks with low occupation rates is concentrated to the South of that line (especially in the Great Plain regions).

It must also be emphasized that the occupancy itself doesn't reflect, neither the profile and the profitability of located firms, nor the (capacity) utilization rate of industrial parks. Starting from this statement, there should be remarkable differences between the industrial parks settled in the Northern parts of the Transdanubian region and the ones settled in the Southern parts in spite of the fact that the occupancy rates are high in both regions. Different transport capabilities have undoubtedly had an influence on it.

THE EXPERIENCES OF THE SURVEY 2010

Observing the spatial structure of industrial parks it can be seen well that the majority of them are settled along the motorways. Nearly half of them are located closer than 10 kilometre to those arteries. So the closeness of motorways is a basic condition of the existence for the operation of industrial parks. Areas having good motorway connections are on the map of foreign investors and this way they are doomed to development.

The need for favourable accessibility via motorway is various in the different branches of economy. Transport capability is very important especially for the processing industry, mainly for machinery industry (automotive industry, electronics), because many of their inland factories being subsidiaries of transnational companies are in close contact with the global networks of production.

A close correlation can be detected between the routes of motorways and the spatial distribution of industrial parks, mainly in the agglomeration zone of Budapest and along the motorways: e.g. along the M1 on Northern Transdanubia, M3 in Northern Hungary and Northern Great Plain, M5 in Southern Great Plain, M6 in Southern Transdanubia and finally along M7 in Central Transdanubia NUTS2 regions. Closeness of motorway is the dominant element of typifying in case of industrial parks by their position in transportation network (Figure 4).

Main features of industrial parks in different transport position are the following (Kiss and Tiner, T. 2012):

– The existence of industrial parks close to M1 motorway (e.g. Nagyigmánd, Almásfüzitő, Nyergesújfalu Industrial Parks) with low rate of occupation confirms the hypothesis that additional factors (e.g. favourable demographic structure, skilled labour force) are also necessary to enhance the positive effects of a motorway. Probably, those additional factors contributed to a relatively high occupation rate even in industrial parks (e.g. Videoton Industrial Park in Kaposvár, Gyula Industrial Park, Barcs Industrial Park) being more than 50 kilometre away from the nearest motorway. Since the majority of the industrial parks mentioned above are brownfield investments, their connection to motorways is not a decisive factor for their activities, as only few enterprises could have settled in in these industrial parks which have close connections to global economy. Only Gyula Industrial Park (Békés county) out of the surveyed 72 industrial parks informed us about the fact that its distance from the nearest motorway was more than 100 kilometre. Obviously, it is not a coincidence,

because transport geographical position of Békés county is very unfavourable. Even these days there is no motorway in Békés county (though its construction has been already started). – The closeness of industrial parks to primary and secondary roads contributes to their relatively good road accessibility. Altogether 19 industrial parks revealed that their distance from the nearest primary or secondary roads is more than 10 kilometre. Their regional distribution generally follows the structure of periphery areas of the country, namely they (e.g. the Barcs Industrial Park, Letenye Industrial Park) can be found on the outer peripheries along the border regions and on inner peripheries along the county borders (e.g. Bélapátfalva Industrial Park, Makói Industrial Park, Szászberek Industrial Park). In other words, industrial parks with poor road accessibility are situated out of the Northern Transdanubia region which has the most developed industry after 1989. Northern Transdanubia is a pioneer in the industrial innovation and its integration into the global economy is the most accelerated).

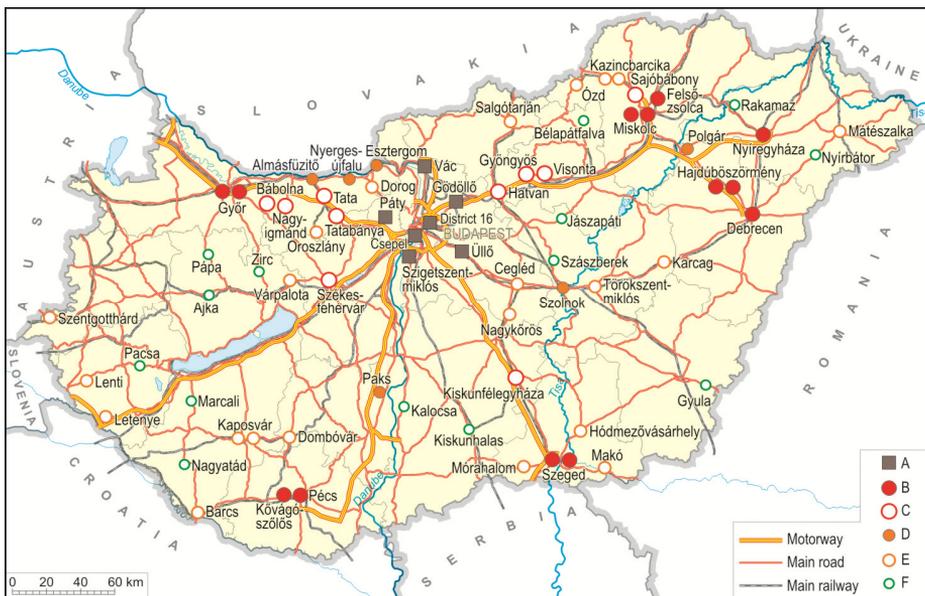


Figure 4 Six types of industrial parks by their positions in transportation network in Hungary, 2010 (Edited by Tiner, T. 2011)

Legend: Industrial parks situated along main transport location connecting to “superhub” Budapest (A). Industrial parks situated along main transport arteries near important river ports and/or airports (B); along main transport arteries without neighbouring river ports and/or airports (C); along secondary arteries near important river ports and/or airports (D); along secondary arteries without important neighbouring river ports and/or airports (E); along tertiary arteries (F)

Source: survey carried out in 2010

– The connection of industrial parks to railway lines – except Letenye Industrial Park, Várpalota Industrial Park and Visonta Industrial Park – seems to be favourable, because the majority of them can reach railway lines in their settlement and within a few kilometre distances. Mainly double- and single-track electrified main railway lines are available for

industrial parks. However, the utilization of this advantageous condition is far from the optimal, because of the lower attraction of freight and passenger rail transport. Consequently, railway connections do not play an essential role neither in location choice of industrial parks and their enterprises nor in their further development. Generally, Hungarian experiences are in accordance with the international trends, in fact, they follow them.

– As for the water transport, we can state that most of the industrial parks are in unfavourable position, because the majority of their sites are far from the ports of our navigable rivers. Industrial parks situating in hilly regions with traditional industries are in the worst position. One sixth of the surveyed industrial parks announced that the nearest river ports are less than 20 kilometre away from them and they are situated along the Danube and Tisza Rivers. The water transport connections are also determined by the routes of the navigable rivers. Consequently, only the industrial parks situated close to water routes can enjoy the benefits of that situation. It often occurs that water transport is not utilized by industrial parks despite the availability of water transportation. On the other hand, being without direct water transport accessibility doesn't necessarily mean a handicapped situation, because among others, water transport connections might not be important for the companies of the industrial parks. Survey made among the firms of industrial parks served to confirm or to deny of that preconception.

– Relating to their accessibility to international or domestic airports, industrial parks can be divided into two groups. The first one involves the industrial parks situated relatively close (within 20 kilometre) to the nearest airport, the second one consists of industrial parks situated farther than 50 kilometre. Latter ones can be found mainly in Northern Hungary region, which can be explained with the low airport density of the region thanks to its hilly relief. Industrial parks with the best airborne traffic connections are settled in towns, especially in county seats (e.g. in Debrecen, Győr, Pécs, Szeged). The towns mentioned before have old traditions of air transport and they have had their own airports for decades.

From the closeness of industrial parks to the various elements of transportation networks, we can conclude which elements of transport infrastructure could play a role in their location choice and in what measure. Answers given to the questions focusing on these problems have also confirmed that high quality elements (highways, primary and secondary main roads) of public road network available in different measure are key transport factors for industrial parks in location choices. 43 out of 72 industrial parks have revealed that elements of public road and railway connections mentioned above have had the greatest influence on their location choice (Table 1).

Table 1 The importance of different transport infrastructure elements in the location choice of industrial parks in Hungary, 2010

Denomination of different transport elements	Indicated by industrial parks*	
	Number	%
Motorways	43	59.7
Main roads	41	56.9
Railway lines with different quality	42	58.3
Railway terminals for freight traffic	16	22.2
Water transport connections (river ports)	9	12.5
Air transport connections (airports)	11	15.3
Other elements of transport	4	5.6
Transport connections were not important	7	9.7

*An industrial park might indicate more transport elements.

Source: survey carried out in 2010.

Mostly road transport and rarely railway transport were in dominant position in case of industrial parks where waterborne and airborne traffic connections were also relevant factors in location choice. Only four industrial parks (Szigetszentmiklós Industrial Park, Rába Industrial Park in Győr, Kalocsa Industrial Park and Úlló Industrial Park) announced that each form of transport connections had influenced their site selections. All those industrial parks are settled along the Danube. Ten per cent of the industrial parks answered to the question of the survey that not a single transport factor had influenced their location choices.

Industrial parks classified into various types according to the role of different elements of transportation network in location choice do not form special territorial groups. Essentially, the categories have not had any spatial specific appearance they did not favour certain regions. On the whole, the investigation among industrial parks revealed partly the importance of road transport and partly the fact that these parks generally have a favourable transport geographical position. Motorways have played prominent role in location choice for industrial parks from the middle of 1990s and nowadays their differentiating function still has a great impact on the structure of the Hungarian industry.

MAJOR CONSEQUENCES OF THE SURVEY 2011

According to the survey carried out in 2011 the results of the research are summarized below:

– Referring to their different transport position, the majority (64 per cent) of the surveyed companies revealed that they had favourable connection possibilities to motorways. Nearly 40 per cent of them responded that they had accessibilities to main railway lines, but only few of them mentioned a neighbouring airport or a river port as important transport factors for their activities (Figure 5).

– The distribution of responses above seems to verify the hypothesis that transport intensive firms locate their activities in industrial parks with favourable highway and good railway accessibilities along the East-West international transport axes of Northern third of Hungary (Nyíregyháza–Miskolc–Budapest–Győr line).

– The favourable position in transport network seemed extremely important or very important for 68 per cent of the investigated companies as a factor of location. In case of enterprises with foreign interest that rate reached 78 per cent. From among the pathways of branches of transport, 61 per cent of the companies chose the motorways and additional 25 per cent mentioned the main roads as essential elements of transport infrastructure needed for their operation. The closeness of railway lines as a factor of location was important only for 13 per cent of the companies and the accessibility for a neighbouring airport was mentioned merely by 4 per cent of the investigated firms while the closeness of river ports proved to be a neutral factor of location for the interviewed companies. The survey underlined that transport intensive firms settled in industrial parks refuse to use railway transport mainly because of its organizational inflexibility, the low standards of its transport logistic services, furthermore, for its relatively high freight rates and missing rebates.

– The regional distribution of mainly transport intensive companies demonstrates a considerable rate of concentration in Western Transdanubia (27 firms) and Northern Hungary (17 firms). Only a dozen of them can be found in Central Transdanubia and 11 of them were settled in Central Hungary. Only seven firms represent the Northern Great Plain region and only a few of them moved into some of the industrial parks of Southern Transdanubia and Southern Great Plain region. This phenomenon demonstrates the industrial character of the investigated companies, their traditions in making all kinds of industrial products mainly for export and the relatively high technical level of the built-up infrastructure of industrial parks.

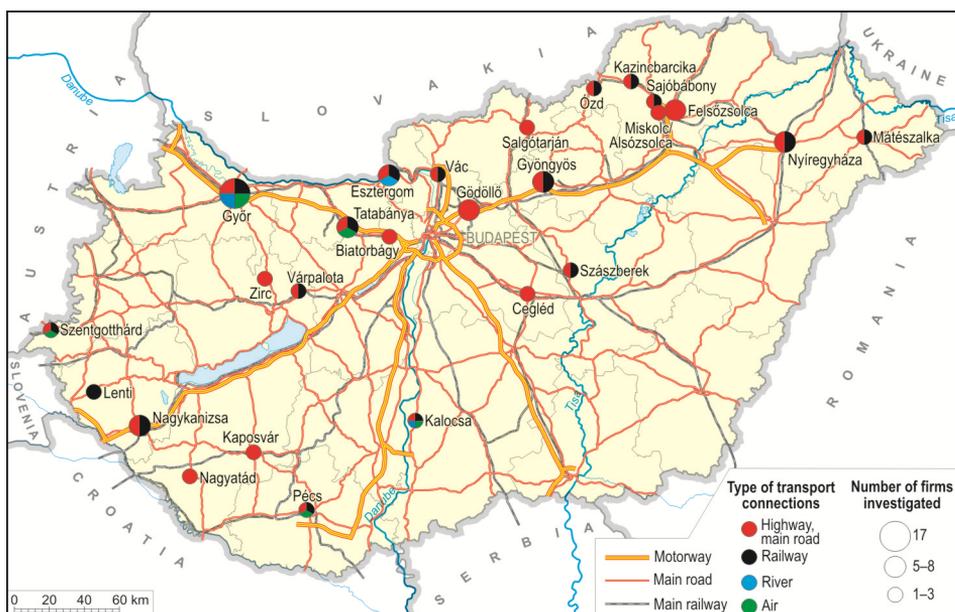


Figure 5 Types of transport intensive enterprises in industrial parks by their connection opportunities to different branches of transport in Hungary, 2010 (Edited by Tiner, T. 2011)

Source: survey carried out in 2011

– Considering the years of their foundation, the companies show a relatively balanced temporal distribution between 1985 and 2008. Slightly more than half of the firms (53 per cent) were founded in the 1990s, 43 per cent of them were established between 2000 and 2008 and merely five per cent of them started their activities before the regime change. 35 (nearly 40 per cent) of the surveyed transport intensive enterprises are owned by international corporations or joint ventures with foreign majority. Being a larger employer, their proportion in the total volume of employees reached 78 per cent out of the 83 surveyed companies. It is a general experience that foreign companies gave the majority of industrial productions, the incomes and profits in several branches of Eastern European economies (Kiss, 2010).

– Based on the collected data for the number of employees, it can be stated that the 83 investigated firms had increased the number of their employees from 4,250 to nearly 13,700 (3.2-fold increase) since their foundations. Among them the subsidiaries of transnational companies and joint ventures with foreign majorities increased their staff number from 3,350 to 9,810 (by nearly 6,500 persons) and purely domestic companies increased the number of their employees from 900 to 3,880 (by only 3,000 persons). Usually, the size of foreign companies is much larger than the Hungarian ones, partly because they are better-supplied by capital. The top 6 companies with the highest increase in staff number (above 500) were the Hungarian Suzuki Co, Esztergom Industrial Park (+2,100 employees), Coloplast Hungary Ltd, Tatabánya Industrial Park (+1250 employees), Videoton Elektro-Plast Co, Kaposvár Industrial Park (+920 employees), Horvath Transport Ltd, Gyöngyös Industrial Park (+670 employees) and ACC Glass Hungary Ltd., Tatabánya Industrial Park (+500 employees).

It is an important remark that the long-term prosperity of transport-intensive enterprises essentially depends on the volumes of foreign direct investments accumulating in different branches of the Hungarian economy. The volume and the rate of the accumulation of the national capital are far behind the desired level and serve only a few branches of the Hungarian economy (e.g. energy sector, special branches of agriculture).

– Wholly or partly foreign owned enterprises represented in the sample appeared in Hungary after 1989 and started their economic activities in different periods of the last decades. Austrian companies were among the first ones which launched their subsidiaries in Hungary. More than 75 per cent of them were established in Hungary before the year of 2000. Two thirds of the German owned companies and the German-Hungarian joint ventures were founded during the period of 1998–2002. American (USA) firms appeared in the early 1990s, but additional non-European companies (e.g. from Japan, Israel, New Zealand) started their activities in industrial parks only after 2001. During the early 2000s Hungary's preparations for the accession to European Union accelerated the establishment of enterprises with foreign interest and this contributed to the increase in the number of companies in the Hungarian industrial parks (Figure 6).

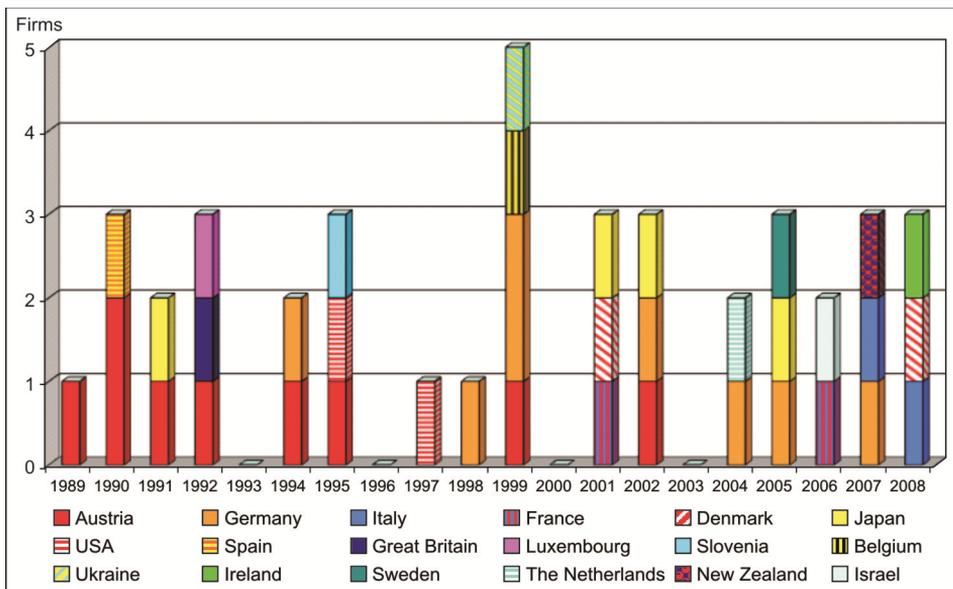


Figure 6 Establishment of transport intensive enterprises with foreign interest in Hungarian industrial parks between 1990 and 2008 (according to the nationality of majority owner)

Source: survey carried out in 2011

– Spatial “density” of companies with foreign interests surveyed demonstrates the dominance of larger Hungarian towns which are easily accessible by motorways M1 (Győr, Tatabánya) and M3 (Gyöngyös, Nyíregyháza). The huge economic attraction of Budapest and its agglomeration zone also inspired foreign companies (e.g. the Israeli TEVA in Gödöllő) to choose their sites in Central Hungary offering transport infrastructure of highest quality. Hungary as a landlocked country with its relatively sparse river ports, underdeveloped river transport and airport infrastructure is rather unable to meet the high technical and logistical

requirements of international companies. Only Budapest and larger towns situated along the main transportation axes of road and railway transport are favoured by transnational companies (e.g. Audi in Győr, Coloplast in Tatabánya, Suzuki in Esztergom, Lego and Electrolux in Nyíregyháza etc.). The spatial concentration of foreign enterprises mentioned above also confirms this, as their majority is situated in the Northwestern and Northern parts of the country.

Furthermore, the investigation has outlined additional important phenomena:

-In case of 26.3 per cent of transport intensive enterprises both the place of origin of inputs and the destination of outputs could be found in Hungary.

-More than one fourth of the firms surveyed have not entered the international market yet, moreover, 90 per cent of them are wholly domestic owned.

-Two third of them are located in Northern Hungary, in the Southern part of Transdanubia and on the Great Plain.

-63.1 per cent of the firms importing goods and services both from Hungary and from other member states of the European Union are foreign-owned companies or joint ventures with mainly foreign interest.

-Nearly 72 per cent of them operate in industrial parks situated along the primary transport axis of Gyöngyös–Budapest–Győr line.

CONCLUSIONS

The experiences of the surveys have clearly demonstrated that transport infrastructure had played an important role in the location choice of both industrial parks and their enterprises. It has been strengthened also that the main attraction factors for them are the good conditions for road transport, especially the routes of motorways. However, it is an unfavourable fact that additional modes of transport available are not used by them for different reasons. It also showed that the transport needs of industrial parks and companies settled in them are mostly in harmony with each other, but some problems were also mentioned (e.g. more industrial parks have bad public transport accessibilities, the quality of inner road network of several industrial parks is insufficient, public roads connecting arterial roads with industrial parks are often narrow and deteriorated etc.). These problems can determine the main directions of further developments too.

It has become obvious that there is a close correlation between the main indicators of industrial parks (year of establishment, area of industrial park, character of investment, rate of occupation etc.) and the quality of their transport connections. The majority of the enterprises settled in the industrial parks of Central Hungary (the region of most developed transport infrastructure), has a considerable economic advantage (e.g. in profitability) over the rest ones, mainly after the burst of economic crisis.

It has been also proven that the sites of enterprises and industrial parks are depending on the motorways in a great measure. This fact had a decisive impact on the regional pattern of the Hungarian industry and its shaping effect on the regional structure of industry has to be taken into consideration in the future too.

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THE CHARACTERISTICS OF THE HUNGARIAN FDI INVESTED IN TRANSCARPATHIA

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Abstract: While Transcarpathia has never been the main destination for Hungarian outward FDI, in 2009 Hungary became the fourth largest investor in the economy of the Ukrainian border region accounted for a share of 10 per cent of total capital investments. The real interest of the Hungarian investments in Transcarpathia lies not in the amount of the invested capital but in the number of the investing companies which can presume the high proportion of the Hungarian-owned SMEs among the investors. In our research the motivations and experiences of the Hungarian companies investing in Transcarpathia were analysed. Our analysis is mainly based on the eclectic paradigm of John Dunning. The relevance of the paradigm was successfully confirmed for SMEs as well. When examining the investment motives of the Hungarian companies, several other theories should be taken into account (the investment development path paradigm, the sequential development internalization model of the Uppsala school) because they reveal further concerns with the FDI-activities mainly in the context of the internationalization process of the SMEs from former transition economies.

Key words: foreign direct investment, Hungarian SMEs, Transcarpathia

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INTRODUCTION

One of the most important economic phenomena in the period since the World War II is the upsurge of capital flows between countries, which is primarily due to the activities of multinational corporations. In the case of the less developed and emerging economies such as Hungary, up to the present the amount of FDI inflows was emphasized as an important source of economic growth. Much less attention was paid to the FDI outflows mainly because its amount was negligible during the nineties. The FDI outflows of Hungary have started to grow dynamically since 1997 and after a while Hungary became the most important investor country in the region. Considering the amount of the invested capital, Ukraine has never been the main destination for Hungarian outward FDI, though between 1998 and 2010 the share of our eastern neighbour in the outward FDI stock increased significantly (from 1.8% to 3%). According to the number of companies operating with Hungarian capital the country merits the attention of economists, particularly Transcarpathia (Figure 1), the Ukrainian county along the border where the number of companies with Hungarian participation increased to over 250 in 2009 which can presume the high proportion of SMEs among the investors. Due to its peripheral character and to the significant number of Hungarian minority living in the

region, Transcarpathia, which is located on the external border of the European Union, provides unique comparative advantages for Hungarian SMEs but at the same time the companies are facing particular challenges and problems arising from the differences of the investment environment in the two countries.



Figure 1 Cities and districts in Transcarpathia

Following a short review of the general characteristics of the Hungarian investments to Transcarpathia we briefly present the results of a survey carried out in 2010, in which the motivations and experiences of the investor companies were analysed. The Hungarian FDI directed to Transcarpathia create the opportunity to examine the foreign expansion of Hungarian SMEs, which has been dealt with only in few studies because of the limited share of the SMEs in the Hungarian outward FDI stock.

THE ROLE OF THE HUNGARIAN FDI IN THE ECONOMY OF TRANSCARPATIA

Between 1995 and 2011, the inward FDI stock of Transcarpathia reached more than 362 million USD. In 2009, a slight decrease was observed due to the effect of the global financial crisis, but in 2010 the amount of the FDI stock increased again. The law which entered into force in January 1999 and offered benefits to the investors investing above 250 thousands USD in the region for a period of fifteen-years played a major role in the attraction of FDI.

Another Presidential Decree provided benefits for a period of 30 years to the investors investing 1 million USD on the territory of the Special Economic Zone “Zakarpattya” namely in the Uzhgorod and Mukachevo districts. However on the 1 April 2005, the Ukrainian government abolished the fiscal advantages in all of the country’s special economic zones resulting in a slow-down in the dynamic growth of the regional FDI stock. Regarding the sectoral distribution of the investments, 73.8% of the FDI was directed to the industry in 2008. The main destination of the FDI was the Uzhgorod district, primarily Uzhgorod due to the skilled workforce and the relatively well-equipped enterprises. Mukachevo and its surroundings were attractive for similar reasons.

There are 48 countries investing in the economy of Transcarpathia, but nearly 60% of the capital arrives from five countries. According to the data of the Statistical Office of Transcarpathia, in January 2009 Hungary was the fourth largest investor in the region behind Japan, the United States and Germany. Due to the global financial crisis, the position of the Hungarian investors deteriorated: in January 2011 Hungary stood at the sixth place in the ranking of the investor countries with 31.7 million USD of invested capital (Table 1).

Table 1 The geographical distribution of the inward FDI stock of Transcarpathia (beginning of the year)

2009			2011		
Investor countries	million USD	%	Investor countries	million USD	%
Japan	48.1	13.5	Japan	-	-
United States	47.9	13.5	United States	44.6	12.3
Germany	42.7	12.0	Germany	39.4	10.9
Hungary	34.7	9.7	Poland	32.6	9.0
Poland	33.1	9.3	Austria	32.0	8.8
Austria	29.8	8.4	Hungary	31.7	8.7
Netherlands	22.2	6.2	Netherlands	25.1	6.9
Italy	16.0	4.5	Italy	17.4	4.8
Switzerland	9.9	2.8	Cyprus	15.5	4.3
Other	60.2	16.9	Other	78.4	21.7
Total		100.0	Total		100.0

Data source: Statistical Office of Transcarpathia

The Hungarian investments in Transcarpathia grew the fastest in the period between 1995 and 2000 when its amount increased sevenfold. The period between 2000 and 2009 was characterized by a less dynamic growth. While the Hungarian capital invested in Ukraine increased twentyfold in the above mentioned period due to the progress of the Hungarian privatization process and Ukraine’s economic growth, the Hungarian capital stock invested in Transcarpathia only doubled. (Table 2) In accordance with our estimation, in contrast to the nineties, when almost the entire Hungarian capital invested in Ukraine was directed to Transcarpathia (Ludvig, 2007), in 2009 approximately only 7-10% of the Hungarian capital invested in Ukraine appeared in the border region. (The amount of the Hungarian FDI stock in Ukraine reached 362.5 million EUR while those invested in Transcarpathia was only 34.7 million USD).

It can be concluded that actually not Transcarpathia but the most advanced, more industrialized regions are the main investment targets for the Hungarian companies investing in Ukraine. The low share of Transcarpathia from the Hungarian FDI flows to Ukraine can be explained by the fact that the large Hungarian companies which are able to invest more capital and to bear greater risks establish subsidiaries in the internal regions of Ukraine and not in the border region. In the case of Transcarpathia, it is not the amount of

the invested capital but the number of investing companies which gives importance to the Hungarian investments. According to the Statistical Office of Transcarpathia, there were 254 companies operating with Hungarian capital in 2009 which probable proves the high proportion of the SMEs among the investing companies.

Table 2 The Hungarian FDI stock in Transcarpathia and in Ukraine (1995-2011)

	1995	2000	2005	2006	2007	2008	2009	2010	2011
Transcarpathia (million USD)	2.4	16.4	25.8	27,2	30.2	32.3	34.7	32.0	31.7
Ukraine (million EUR)	-	16.2	28.3	213	272.1	337.2	362.5	-	-

Data source: Статистичний щорічник Закарпаття 2007, р.242-243.; Statistical Office of Transcarpathia; Hungarian National Bank

It needs to be explained that during the period of market economic transition which Hungarian investors had the opportunity to invest in the Ukrainian borderline region. Our interviews revealed that in many cases, the statistically Hungarian capital invested by the mid-nineties in Transcarpathia can be explained by the phenomenon of the so-called round tripping FDI. It means that the Transcarpathian entrepreneurs having Hungarian connections established special purpose entities in Hungary then the statistically Hungarian capital was reinvested again in its own companies in the form of FDI to acquire the tax benefits provided by the Ukrainian government for the companies operating with foreign capital. During the nineties the reopening of the Hungarian-Ukrainian border also encouraged the appearance of this specific form of FDI flows.

The seemingly Hungarian but originally Ukrainian capital has not disappeared from the economy of Transcarpathia, but its share is much lower than in the nineties since the tax benefits provided by the Ukrainian government for the companies operating with foreign capital were abolished. Due to the legislative changes, the simultaneous growth of the Ukrainian and the Transcarpathian economy and the slowly consolidating market economic conditions, from 2000 onwards has also the real (not only in the statistical sense) Hungarian FDI appeared in the region in the case of which the investment motivations can already be examined with the help of the theories of international production.

RESEARCH METHODOLOGY

The questions of the survey were concerned with the general characteristics of the investing companies and their subsidiaries (location of the headquarter, activity, size, ownership) and - based on the eclectic paradigm of Dunning (Dunning, 1993) - they concentrated on the investment motives, on the firm-specific advantages of the Hungarian companies enabling foreign investment, and on the location-specific advantages of Transcarpathia exploitable by Hungarian investors as well. Due to the relatively unexplored subject of the Hungarian investments in Transcarpathia, before the survey special emphasis was laid on the recognition of the opinion of the experts. The dominant actors of the Hungarian-Ukrainian border region were interviewed (representatives of chambers of commerce, of diplomatic bodies, of business development centers, of regional development agencies) who have the best understanding - due to their work - of the cross border economic relations. The population of the survey covers all Hungarian companies investing in Transcarpathia since the systemic change.

In the beginning of 2009 according to the Statistical Office of Transcarpathia, the amount of the Hungarian investments reached 34.7 million USD which is coupled with the activity of 254 companies operating with Hungarian capital. Because the stock of the Hungarian FDI invested in the Ukrainian region decreased in the following years (in January 2010, it amounted to 32 million, one year later in January 2011 to 31.7 million USD) and because in many cases the invested FDI is considered Hungarian only in the statistical sense, the survey calculated about 200 companies operating with Hungarian capital. Out of these 28 companies were contacted personally or by phone but in the light of the interviews carried out before the survey the round tripping character only in the case of 20 companies can be clearly excluded. Consequently these companies may have been included in the sample because the theories of FDI serving as the base of the survey in the case of the round tripping investments cannot be applied. The selection of the sampled companies was made using the contacts of the associations familiar with the investors of the region (diplomatic bodies, business development centers, regional development agencies) and by the snowball method. By the selection of the sample it was to be expected that the Hungarian investors were difficult to access and to be interviewed. These difficulties could be eliminated through personal interviewing and with the help of intermediary persons and organizations known by the investors. Because of the small number of sampled companies the survey cannot be considered as representative but it can be concluded that due to the difficult accessibility and the low response willingness of the investing firms and to the illegal activities characterizing the region since the nineties this type of research, revealing the investment motives has not yet been carried out.

The Hungarian investors are forced to operate in a very different business environment in Transcarpathia which on the one hand explains the high share of joint ventures (the Hungarian entrepreneurs try to cope with the involvement of local actors), but on the other hand it predicts that only a specific group of entrepreneurs is able to survive as foreign investor in the Ukrainian region along the border. After the characterization of the investing firms (size, ownership, location of the parent companies) the analysis of the investment motives, of the firm-specific advantages and of the location-specific advantages offered by Transcarpathia will be presented. The research is aimed to reveal the characteristics of the companies operating with Hungarian capital in Transcarpathia, their most important sales markets and the factors hindering their operation as well.

THE RESULTS OF THE SURVEY

General characteristics of the Hungarian firms investing in Transcarpathia

Our research confirms the hypothesis that the firms established in Szabolcs-Szatmár-Bereg county invest more actively in Transcarpathia in comparison with the firms operating in other regions of Hungary. 9 out of the 20 sampled companies have their headquarters in the Northern Great Plain Region from which all except one is found in Szabolcs-Szatmár-Bereg county directly neighbouring Transcarpathia (mainly in Nyíregyháza). Further 4 of the questioned firms operate in Budapest. The investment activity of the companies of the Northern Hungarian Region and of the Southern Great Plain Region could also be emphasized: 2 and 3 out of the surveyed investor firms have their headquarters in these areas. Only 2 out of the questioned companies arrived from the most developed (and more distant) Transdanubian regions.

Consequently, the geographical proximity of Transcarpathia has played a major role in the investment decisions. Half of the investing companies have their headquarters at a distance of 80-170 km (2-3 hours) from the Hungarian-Ukrainian border which - apart from

the difficulties of border crossing - allows easier contact between the investing Hungarian firm and its Transcarpathian affiliate or joint venture operating with Hungarian capital share. The geographic proximity can be a key factor from the point of view of market informations as well. In the case of the investing companies situated farther from the Hungarian-Ukrainian border, it is necessary to emphasize the importance of the formerly established business (or personal) ties with the Hungarian economic players of the region. According to our experiences, the majority of the surveyed companies might have lacked the resources and the market informations required to invest on other foreign markets.

The research justifies our hypothesis formulated on the basis of the number of investing firms because the majority of the sampled Hungarian companies investing in Transcarpathia (14 out of 20) is micro, small and medium-sized enterprises. The investing SMEs have employed typically 25-49 or 50-99 employees. Altogether 6 companies of the questioned firms were large companies with over 250 employees.

Examining the ownership structure it has revealed that the majority (16 out of 20) of the investing companies are wholly, while 2 firms are in majority Hungarian-owned enterprises (big formerly state-owned companies which were privatised through the stock exchange). Among the surveyed companies there were only 2 firms which invested in Transcarpathia as the Hungarian affiliate of a foreign-owned multinational enterprise.

Investment motives

The OLI-paradigm of Dunning and many theories of international production emphasize that the firm has to possess ownership-specific advantages to be able to invest abroad. In the case of the Transcarpathian investments, it was primarily the technological know-how which provided such firm-specific advantages for the Hungarian manufacturing and service companies (10 and 4 companies out of the 20 sampled firms) against the local or other foreign competitors. However, the production and service experiences of the investors have also played a major role: 90% of the questioned companies (18 firms) were founded between 1989 and 1997, partly by the reorganization of the formerly state-owned enterprises during the privatization process, therefore they possessed considerable technical knowledge, well-known brand names, and in some cases products enjoying a patent protection. The experiences and the technological know-how of the Hungarian firms offered a possibility of modernization for the inefficiently operating economic sectors of Transcarpathia. The fact that the investments were realized on the Ukrainian and especially on the Transcarpathian market of which development level is lower than the national average suggests that the ownership specific advantages of the investing Hungarian SMEs and large companies are only sufficient to outperform such ownership advantages of firms from less demanding markets. The foreign expansion of the Hungarian firms might be accelerated by the fear of obsolescence of the ownership-specific advantages but the process was primarily motivated by external factors (tight Hungarian market, the trends of globalization).

In the case of the sales subsidiaries and sales joint venture companies (6 out of the 20 sampled firms) good quality and lower price compared to the products of the developed countries have provided unique and sustainable ownership-specific advantages for the Hungarian firms. Among the firm-specific advantages of the Hungarian investors it is also necessary to emphasize the formerly established business (or personal) ties with the economic players of the region. The dominance of the companies set up in the adjacent Hungarian county among the investors is primarily due to the geographical proximity and to the previous economic or personal ties: the companies of Szabolcs-Szatmár-Bereg county possessed more comprehensive and more precise market information than the competitor firms operating in other parts of the country. The management and marketing skills could be

considered as important ownership-specific advantages only in the case of large companies (Figure 2).



Figure 2 The ownership-specific advantages of the Hungarian firms investing in Transcarpathia

Source: own research

According to our survey, the most important motive of the Hungarian investments in Transcarpathia was market seeking, therefore the companies aim to have access to the Ukrainian market of 46 million people. Among the main objectives of several domestic investors not only the Ukrainian but also the Eastern European, mainly Russian market entry was included. 15 out of the 20 sampled Transcarpathian subsidiaries and joint venture companies carried out their transactions in the Eastern European market from which 11 firms were present only in the Ukrainian market, further 2 firms supplied simultaneously the Russian market too, and an 2 additional firms sold their products only for the Russian market. 3 companies addressing the Ukrainian market are present only in Transcarpathia because these firms conduct a fixed service activity (drinking water services, waste management) and for this purpose they are using partly the existing infrastructure network of the region.

Beside the size of the market, the Hungarian investors were attracted by the relatively low labour costs (in 2010, the average wage in Transcarpathia reached only 82% of the national average wage of Ukraine). In investment decisions, low transportation, production or infrastructure costs - depending on the type of activities of the company - have played additional role, but these appeared much less significant than the labour costs. The role of tax relief and lower duties provided by the Ukrainian government were negligible and given the high proportion of small and medium sized enterprises among the surveyed companies, the strategic asset seeking motives were less important.

Between the motives of SMEs and large enterprises, no significant difference can be detected: the market access have proved to be by far the most important investment motive regardless of size. In the case of smaller companies, the personal ties have played a more accentuated role in the investment decisions (55% of the sampled companies), but without the market motives and the endowments of the region they would not provide sufficient incentives for investing. The lower labour and transportation costs also appeared to be more important for SMEs.

Other endowments of the Ukrainian county exploitable only for Hungarian investors rendered the investment possibilities even more attractive for the domestic companies. Among the location-specific advantages of the region, principally the proximity to the border was highlighted by the Hungarian investors. The introduction of the Schengen border control system has made the communication between the parent companies and its Transcarpathian subsidiaries or joint ventures more difficult but the majority of the firms were able to adapt to the situation. Beside the geographical proximity, 90% of the surveyed companies have referred to the presence of the Hungarian minority and the absence of language barriers as factors that influenced their location decision. The observed Hungarian firms (apart from a Hungarian subsidiary of a multinational company) did not get engaged in FDI in other internal regions of Ukraine. For the investors, the small distance was important not only in a physical sense, but also in a mental and cultural sense. The similarities in mentality and the sense of belonging to the same nation have facilitated the situation of the Hungarian investor firms especially in the case of a lack of market knowledge and experience. Beside the wholly Hungarian owned companies, they have established in majority joint ventures relying on the local economic actors especially on the members of the Hungarian minority group living in the region. The strong personal contacts accounted primarily for the SMEs (14 firms out of the 20 surveyed companies). The personal ties influenced also the investment decisions of larger investor firms with 250 or more employees (only 6 companies in the sample).

Among the location-specific advantages of Transcarpathia, the respondents have highlighted the relatively low labour costs and the existing business and family ties, but they have influenced the investment decisions in a lesser extent than geographical and cultural proximity. The presence of other foreign investors was negligible from the point of view of the Hungarian investors. (Figure 3)

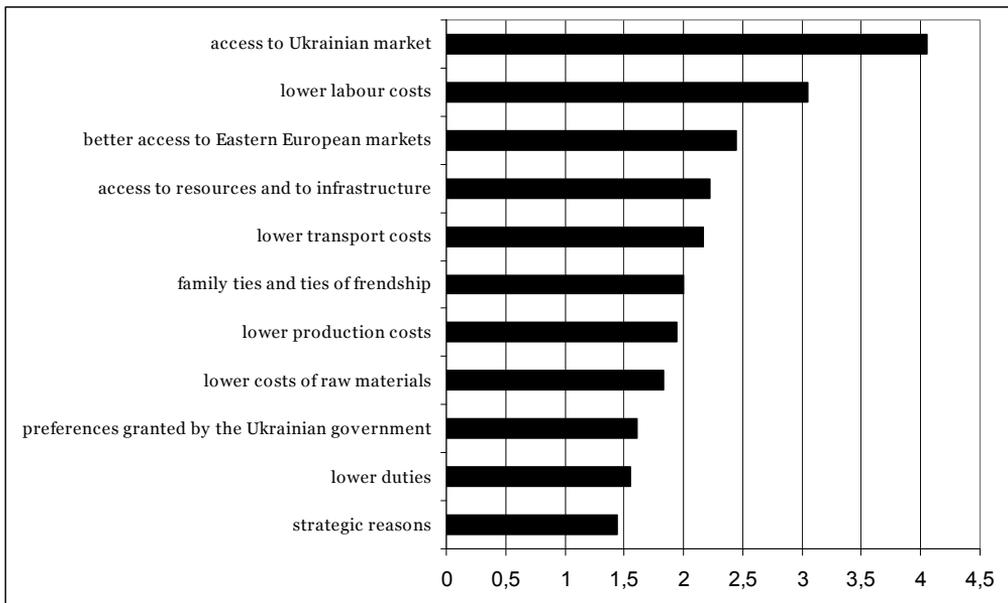


Figure 3 The location-specific advantages provided by Transcarpathia

Source: own research

The characteristics of the Transcarpathian subsidiaries and joint ventures operating with Hungarian capital

The sampled Hungarian companies prefer to invest in the directly adjacent areas of the Hungarian border (in the Uzhgorod, Beregovo and Mukachevo district), which can be explained by the geographical proximity, by the high share of Hungarian minority and also by the fact that these districts are the most dynamically developing areas of Transcarpathia where the largest cities can be found and a large part of the production capacities is concentrated. The survey showed that the majority of the Hungarian investors (11 companies) established their subsidiaries or joint ventures not in the most dynamically developing Uzhgorod or Uzhgorod district but in Beregovo and in Beregovo district with a considerable Hungarian majority. Taking the location of the Transcarpathian companies operating with Hungarian capital into account we can conclude that the Hungarian investments were not affected by the regulation of Timosenko government in 2005, which abolished the tax incentives that were granted to the firms operating in the special economic zones because the Hungarian investments were not realized in the territory of the Special Economic Zone of Transcarpathia.

The majority (80%) of the companies operating with Hungarian capital were set up in the period between 2000 and 2008. Despite the fact that the Hungarian investments in Transcarpathia increased the most dynamically between 1996 and 2000, there were only 4 enterprises which were established in this period. 6 firms out of the 20 surveyed investing companies were established as wholly Hungarian owned subsidiaries, while for 14 firms a joint ventures involving a local partner was the appropriate form. The investing companies preferred the establishment of majority-owned Hungarian subsidiaries. The theoretical explanation of the preference for total or majority ownership lies in the fact that the Hungarian firms do not possess strong ownership-specific advantages which must be protected. But the good knowledge of the Ukrainian market or the lack of suitable local partners could also lead to the establishment of asymmetrical relationships. The companies which have decided to involve in a greater extent its local partners were motivated primarily by the lack of knowledge of the business environment or by the partner's relationships with local administration and with business actors. The Hungarian minority ownership was typical by sales subsidiaries or in the case of the subsidiaries involving local government partners. Between the share of Hungarian capital and the size of the investing company no significant correlation was detected.

CONCLUSIONS

Transcarpathia, the Ukrainian county along the border plays a major role in the Hungarian-Ukrainian economic and trade relations. The sharpest increase in Hungarian FDI inflows to Transcarpathia occurred in the second half of the nineties, but these capital allocations cannot be explained by the real investment intention of the Hungarian economic actors (round tripping FDI). As a cumulative result of the strengthening of the Hungarian companies, the consolidation of the Ukrainian market economic conditions and the tightening of the border control system, the importance of the round tripping investments is gradually declining and the Hungarian FDI allocated for real investment purposes also appeared in Transcarpathia. The investment decisions of Hungarian entrepreneurs have been primarily motivated by market seeking factors: the delocalization of the production and sales activities abroad have opened for them not only the Ukrainian but also the Russian market due to the internal tariff concessions of the CIS region. In our survey we pointed out that the investments links between the Hungarian and Transcarpathian economic partners are in

reality FDI-relations between two entrepreneurs of Hungarian nationality rather than a Hungarian and a Ukrainian one. This is supported by the fact that the majority of the Hungarian investments were realized in the Hungarian-speaking area of the Ukrainian county, primarily in the city and in the district of Berehove.

The Hungarian investors are getting involved in a completely different business environment in Transcarpathia. In this risky and uncertain business environment, the advantages of the Hungarian companies compared to their stronger Western European (for example Austrian) competitors arise from the fact that due to their former business and personal relations with the members of the Hungarian minority living in the region they possess market information ensuring the security and the success of their investments. The comparative advantages offered by Transcarpathia can be exploited mainly by a group of investing companies familiar with local conditions, aware of the unwritten rules of the Ukrainian economy or with the help of its reliable partners can find the way in the labyrinth of the legal uncertainties. According to our survey, the geographical proximity can be a key factor to get information about the market because the Hungarian firms investing in Transcarpathia have their headquarters in Szabolcs-Szatmár-Bereg county immediately adjacent to Ukraine. In the case of the FDI arriving from the more distant regions of Hungary generally personal or business ties linking the investor firms to the members of the Hungarian minority in Transcarpathia can be detected.

In order to increase the Hungarian FDI stock in Transcarpathia and the number of SMEs, which consider the Ukrainian county along the border as a promising investment opportunity, above all the business climate generally characterizing Ukraine should become more investment-friendly. This can be achieved primarily not by the amelioration of the laws intended to attract foreign investors, but by the impressive presence of the market economic conditions and the more coherent and effective implementation of the reform process. Ukraine is potentially a promising investment market for the Hungarian companies regarding only the size because it is itself as big as all the other neighbouring counties altogether. It is expected that after the crisis the growth of the Ukrainian economy will exceed the European average from which – under appropriate conditions - also the Hungarian entrepreneurs can benefit. As the purchasing power of the domestic market is unlikely to change significantly in the forthcoming period, capital export presents a growth and income stabilization option for the Hungarian SMEs mature to enter international markets, particularly in such sectors as agriculture, information technology, the service sector, the food industry and mechanical engineering. Assuming that the Hungarian-Ukrainian border will remain the external border of the European Union for a long period, the development of the cross border economic cooperation is a key issue for both sides of the border.

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LOCAL ECONOMIC DEVELOPMENT IN THE HUNGARIAN COUNTRYSIDE: THE HERITAGE OF PATERNALISM

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Abstract: In this article, the authors studied the effect of paternalism on local economic development (LED) in rural Hungarian areas. Field works were carried out eight settlements with 200–17 000 inhabitants in 2012-2013. Multiple methods were utilized according to the requirements of the holistic approach. The main aim of the research was the exploration of best practices for the expansion of local employment. As a narrow subfield of our research as a whole, this study focussed on the characteristics of paternalism played in LED. On this basis in-depth interviews were made with the local stakeholders. We found that the lack of capital was the main contextual factor of LED. Members of the project-class could be regarded as a particular intermediary sphere of paternalism besides bureaucracy from the state to local level. We concluded that the local heroes played key role within the context of the extension of employment. They could be the new style representatives of paternalism which was relatively independent from the state, bureaucracy and project-class.

Keywords: rural development, local economy, Hungary, paternalism

* * * * *

INTRODUCTION

Development of rural settlements deserves particular attention in Hungary as it especially focuses on the capital, Budapest. In many cases the key to the future of local economy has its root in the attitude and activity of the local inhabitants (Czene-Ricz, 2010). Some of the earlier features and interconnections of the local economic development (LED) were transmitted in the last 25 years after the political transformation. The risk of downward social mobility and the threat of unemployment have become the major economic challenges for the local inhabitants in countryside (Csaba, 2011).

The basic question of the applied research was that how the LED is assessed or seen by locals in the settlements involved in our examination? What general and specific features can be observed and how do they correspond with the findings, classifications and models found either in the relating Hungarian or international literature? How can growth of employment be connected to the increase of the local economy? We aimed to set scientific based keypoint up, together along with the increase in economic activity, which can help the rural settlements to escape from their crisis.

Type of settlements applied in our field work were villages and small towns, with less than 20,000 inhabitants all over the country in 2012 and in 2013 (Figure 1). On the one hand this size of settlements were chosen because of these places have substantial problems of development and on the other hand, closely linked to, employment proved to be the most serious problem (Skerratt, 2013). Furthermore, we assumed that the overwhelming effect of government policy will be relatively negligible in these smaller settlements, namely in Bazsi, Besence, Fertőd, Mórahalom, Oszkó, Pásztó, Rimóc and Szarvas. As a deeper objective we targeted at understanding the social-economic crisis long-lasting (Lányi, 2010). By examining one of the aspects of LED, namely expansion of employment, we intended to serve both the local and general employment policies together with social and regional planning. The settlements characteristically different from economic, social and cultural aspects gave, besides discovering specific peculiarities rooted in their history, the opportunity to draw general consequences by analyzing the eight settlements involved in our research.

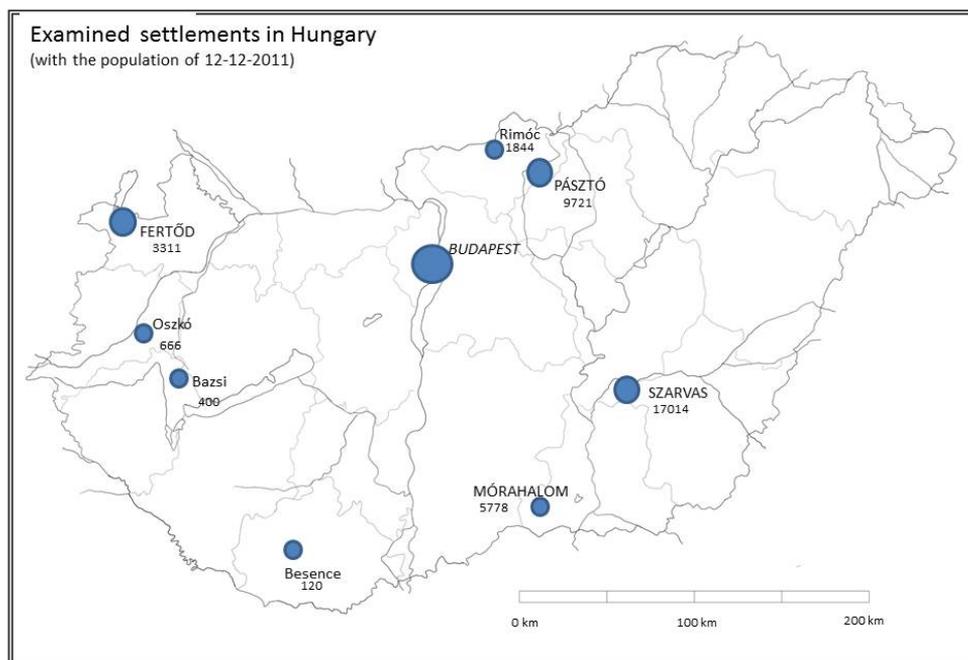


Figure 1 Location of examined settlements with population on 12-12-2011
(letters in capital: city; letters in italic and capital: capital of Hungary)

In the eight settlements we carried out the field work with multiple methods, according to the requirements of the holistic approach (Clarke, 2001). For the sake of comparability we collected quantitative data from the local inhabitants with a standardized questionnaire. With the help of in-depth interviews we asked the local dominant persons, thus gaining some pieces of valuable qualitative information. As a methodological experiment we carried out focus group analysis in four localities. Observation during our field work, systematic economic geographical descriptions of our experiences and impressions were the other means of getting information.

Variation of the local economy and its development is strongly attached to the problems of local employment. Scholars have attempted to define the LED generally and exactly in many ways so far. Their intentions were foredoomed to failure (Walburn, 2011) since the essence of LED lies in the grandeur of uniqueness. As a starting point of our research we accepted the approach according to which the local economy is the lowest operating level of economy where production and consumption can be connected directly (Mezei, 2006; Németh, 2011). We considered local resources, local products, local markets, also local communities with a certain autonomy, local institutions and finally the indispensable local key persons (local heroes) as central categories.

As a narrow subfield of our research this study focuses on the characteristics of paternalism played in LED. In the eight sample areas in Hungary we are presenting the phenomena of LED related to paternalism on the basis of a qualitative examination of in-depth interviews made with the local prominent personalities. To achieve this goal we found two of the ideal types of rural settlements elaborated by Flynn and Lowe (1994) useful: the paternalistic countryside and the state dependent countryside. The other two types (the preserved one and the contested one) will be described shortly next section. However, these latter types are of a lower importance from the angle of our analysis.

THE IDEAL TYPES OF RURAL AREAS

In the majority of cases the geographical space of the local economic development (LED) is the countryside where Flynn and Lowe (1994) distinguished four ideal types. For their classification the authors regarded the opinion about the given area as a starting point.

The four ideal types are as follows:

- preserved countryside
- contested countryside
- state-dependent countryside
- paternalistic countryside

It should be taken into account that this classification is the result of an emotional, subjective approach to a certain extent so there can be some overlapping between the different types.

We suppose that the in-depth interviews made it possible to carry out a practice-based assessment of two types of the four, namely the paternalistic and the state-dependent countryside.

Preserved countryside

It is in the consumer's interest of the middle class to preserve the countryside, and also it is the result of their particular attitude towards the rural area. Conservation of the traditional image of villages, the rural idealism, and preservation of naturalness is the basis of rural tourism, for example. A village is the locality where smiling locals live their seemingly traditional life. However, in reality they wear modern clothes; folk customs are rarely parts of

everyday life. Is it possible that the urban middle class consumer needs his own deception reminiscing about their rural roots? The countryside, as a living space, has been transformed in the respect as the place of small gardens, village yards, and foods of good quality and the dwelling-place of people of common sense. It is dangerous to think of the rural idyll only with a kind of romantic feelings particularly in the field of the LED (Handlerné et al., 2012). A very good example for it is the settlement where organic farming takes place or where former urban moving to the countryside establishes eco-villages. Another example is when a religious community (for instance Buddhist) creates a particular way of life (Raju–Gowda, 2014), which is close to nature and attracts also tourism (see Buddhist temple near to Pásztó). Furthermore, historic villages belong to this ideal type, too (see Hollókó).

Contested countryside

Perhaps, it is the contested countryside which is the most frequent type of settlements in the Hungarian countryside. Today, village researches and the media examine the situation of the villages of this type. There have been numerous attempting to solve their conflicts. The task of LED is to solve problems related to the small village's phenomenon, aging, migration, settlement ghettos, disintegrating communities by creating places of meaningful work. Therefore the possibilities are conflict-based. There are processes which result in a disadvantageous situation. Unemployment is the most oppressive for locals giving place to the closed hopeless way of living in the countryside, to the inability to act, and finally to the lack of both initiative forces and self-confidence. LED becomes effective in case of it can break through the wall, if it be able to prove even the countryside can be successful.

State-dependent countryside

The state-dependent countryside strongly depends on state subsidies. The settlements, areas of this type sometimes prosper in some places, sometimes survive in other places and finally, sometimes hardly vegetate from these supports. The LED should create an alternative to reduce external dependence, to discover and utilize internal resources or to draw other resources effectively in. On the other side, however, the state should sponsor only those initiatives which are able to become real economic activities in a relatively short time. If the economic activities, state, community or private services cannot be sustained, it may cause that the given countryside loses its population, out migration increases.

It is interesting to talk about migration at minimum two levels. Visual form of it is the flow of inhabitants to a bigger settlements or occasionally abroad. Parallel you can see flow of knowledge, which is invisible. High-skilled people leave small settlements with their usable knowledge and competencies. Impact of them makes different local problems, gaps (Gál, 2006). As a result, the system will be more and more expensive to survive, it will get unsustainable from a financial point of view. A well-accomplished development could give a solution because LED reduces dependence on the state redistribution.

Paternalistic countryside

In so called Eastern-Central Europe tradition of the paternalistic countryside has its root in the historical development of the past. One of the key problems of the late, and thus specific, development was the attitude with land which probably still works in certain regions of Hungary. Both property and the interest of its holders can be regarded as a dominant force. It was Mellár Tamás (2012) who said only those should have been holders of the land who could cultivate it. The other important condition is that this person should be a local inhabitant. In the present macroeconomic environment large-scale cereal production is the most beneficial

from the point of view of making profit. There should be wide-spread properties as Serge Latouche (2009) and László Csaba (2011) defined.

According to researches the historic structure of land ownership from the period between the two World Wars strongly determined autonomy and initiative spirit of people living in a certain area. „The historically overwhelming importance of small estates” gave opportunity „for peasantry to make their living from their own lands and also to evolve an entrepreneurial culture rooted in peasantry” which „assumes a greater entrepreneurial potential even today”. It is a determinant factor and also important from the point of LED that „where the individuals are separated from each other, the entrepreneurial potential is weaker too and thus there are less micro and small enterprises than in an area where the net of relations is dense... and the importance of the small estate within the structure of land properties imply the greater number of smallholders while dominance of the large estate supports the greater number of agrarian proletariat” (Kopasz, 2005).

Social capital (concept from Pierre Bourdieu /1986/) affects other capitals. The paternalistic social system changes the social capital; first of all, it excludes it from „the game”: the separated players, anyway, who are close to each other in point of space and interests, are connected to each other by the central power in this type of system. It reduces the chance of development and maintenance of informal relations. Besides, it makes the ideal of „subsidiarity” of the EU its own irony. Development which gains its resources from local conditions stops, local initiatives are either forced back or they fade. „The good father-syndrome” results in formation of a strong net of vertical relations and at the same time, the horizontal net of relations is subordinated to.

A significant part of the inhabitants of the Hungarian countryside expects the authorities to solve their employment, social and their other problems comes from the tradition of the Socialist era. The local community, which is regarded as the driving force and base of local economy, has not grown stronger, with the exception of the local government. (Though in the last few years we have been witnessing how local governments grow weaker.) However, the local institutions do not always offer the mental base which would be able to plan and then to carry out strategic programs to develop local economy, moreover, to work out the range of local product(s) of premium quality which would be related to the name of the settlement as a brand. According to some scientific literature the local economy is strongly connected to local heroes, the key figures of the local community (Handlerné et al., 2012).

PHENOMENA AND FEATURES OF THE STATE-DEPENDENT COUNTRYSIDE IN THE LIGHTS OF IN-DEPTH INTERVIEWS

The examined areas do not belong to the most underdeveloped, dependent areas of Hungary. It is *Besence* which highly needs development of social economy, because of the level of unemployment; therefore it depends on state resources. The key problem of its future is what fortune has in store for the local co-operative, also if they manage to find new directions of prosperity. It is *Besence* which is strongly characterized by the ideal type of *state-dependent countryside*.

The situation of *Oszkó* is better, less dependent on state subsidies.

Mórahalom does not belong to the settlements in need of state subsidies. Its successful tenders, prospering enterprises provide it with the necessary independence.

In spite of the increasing unemployment experienced in the last few years, *Pásztó* does not entirely depend on the state but the direction of present changes is disadvantageous.

Szarvas proved to be a settlement hardly depending on the state. Due to the successful tenders, investments it has a positive view on future in the fields of both culture and economy, together with unemployment rate under the country average.

Fertőd does not have to face with problems of employment; its favourable position depends on the relations across the Hungarian-Austrian border and employment abroad. Both the settlement and its population live a relatively common offline life.

Thoughts expressed in the in-depth interviews show the way of thinking of the local key persons quite well:

- *„The ownership structure of lands is over-concentrated: although many have a plot of 1 ha (10 000 square meters), which is generally left unutilized, and that is why the official statistics might as well conclude to be in the state of partition.” „The overwhelming part of lands is owned by one or two big entrepreneurs who cultivate them in large-scale farming which does not need labour force and do not intend to sell some parts of their lands.”*
- *„It is a very big problem that the former co-operative employed two thousands workers who are mostly unemployed today, while the lands of the former co-operative are cultivated by two or three people with huge agricultural machines and with few employees. It would have been better if the subsidy of purchasing agricultural machines had been worked out more carefully by the state regulations.”*
- *„People, due to the social benefit and other income supports, have forgotten how to work which implies a huge problem in case of successful public works programs: public workers have to be separated from real employees because they erode the work ethic, yet the public works program as it is would be a good initiative.”*
If there is no way to earn a livelihood, the structure of state-dependent countryside seems to fall to pieces and thus for the people living in the countryside there is no other way than: *„People escape to construction works to the capital, to Budapest, or abroad. It's a shame. It can't be a positive view on future...”*
- *„People in the countryside have been transformed that means they have started to think as urban who sell their work-force in stereotyped forms conveyed to them by the state and scientific experts via the media. They have become the part of pseudology about them in mental sense, too. It can be clearly heard in the words of an agricultural entrepreneur of Pásztó out: „People's attitude is very bad, they are not able to take something in hand, and they are not able to start something which is due to Socialism, to the paternalistic way of thinking.” „They take it for granted all acting on them. They don't feel their obligations.”*
- Weakening of the attachment of local relations is represented well in the words of one of the clergymen: *„There is no humanity, morality, commitment, responsibility. I miss especially the latter one: for example, there is a local handball team but the players don't often go to the matches because they don't feel that they belong to here, that they have to take the responsibility...”*
- The entrepreneurs have a typical idea of the state role: *„The state task should be to make living possible, to give legal security, to be efficient; there should be a small state.”*
- *„There are some new tendencies which show, some smaller groups believe, it is really possible to do something locally in both economy and culture. This viewpoint is getting more and more accepted by others too, so they become active instead of being languish.”*

- *„There are a lot of unskilled people in the region, problems are in their mentality. Each initiative is connected to one person; the so-called key personalities are very determinant.”*

ROOTS, PHENOMENA AND FEATURES OF PATERNALISTIC COUNTRYSIDE IN THE LIGHTS OF IN-DEPTH INTERVIEWS

In relation to paternalism manifested in the LED we are intending to show the approach which is in connection with capital, local ownership and local attachment (localpatriotism). However, on the other side, people who sell their workforce lack capital and property necessary for production and thus they expect solution to their problems from outside. It is not exclusively a feature of the state-dependent countryside. This phenomenon can be observed in towns even more. Paternalism, paternalistic way of thinking has deeper roots both historically and mentally than dependence on state itself, both in the countryside and in towns.

It was Karl Marx (1978) who theoretically elaborated the concept of different capitals. As a theory it was perfectly elaborated, what is more, it was niche (Illés and Michalkó, 2011). However, the political plan of acts based on it failed there, where human enterprises often do, when Marx started to see himself as a Messiah. In any case, paternalism is strongly connected to the concept of capital, to the restricted land and productive capacities and as a result, to formation and fixation of system of relations.

The phenomenon of paternalism, which is without doubt very strong in our country, cannot be related only to a political theory, an ideology, a party or a regime. It is rather the social manifestation of a general feature of human nature. It can be said that the right-wing, quasi-legal Horthy-era before the state socialism was paternalistic; that the fate of the country was in hand of a few privileged who decided on crucial questions at bridge parties. It can also be said that this era gave birth to paternalism by maintaining the hunger for land, by anchoring the capitalist structure. However, it can also be stated that during decades of the left-wing Socialist autocracy atomisation of the society, destruction of the existing communities and expansion of the one party's power on their ruins gave birth to a net of relations where people were in relation of an agent both personally and also with the state. There was no real relation between people, theoretically it was not able to, by they could avoid the state power and which could be independent. Consequently, the few privileged people of the Horthy-era, the elite, were replaced by leaders of one the party. It is disputable what kind of change we can see in it. In any case, it is certain that both periods preferred uncritical loyalty to the independent way of thinking, initiatives and value creation.

In countryside paternalism differs from urban one from the point of view that there are less connecting points, there is not a big social network from which radiation could be realized. The local hero can become a successful determinant factor more easily. Even in the last political system the urban population turned to Free Europe Radio and today to Brussels when it is about presumed or real conflict of interest, while the rural population practically did not see more than the village or district government. That is why local heroes could, and so they can even today, have such a great effect in villages and in smaller towns due to their position, they can represent „the whole world” for the local society.

Some institutions, as a quasi Foucault's heterotopias (1967), are typical regional phenomenon of the dependent paternalistic countryside. We found two examples for it during our research: one of them is the international summer camp for Jewish children in Szarvas, and the other one is the Esterházy castle in Fertőd. Their features are the following: their venue is almost independence from the actual place; and their services (premium camping, premium culture, organization of concerts). None of them is for the locals:

practically neither the guests nor the skilled labour force is (or hardly) a local inhabitant. The local workers are employed only for positions of cleaner, maintainer and servicing employee. Their operation, development do not relate to the settlement, the settlement can hardly interfere in their affairs. The connection between the institution and the local authority is fragmented in both cases. Neither of the institutions is within the sphere of action of the local government.

The relation between paternalism and capital is specific. The widely distributed ownership is favourable for the LED. However, entrepreneurial and risk-taking forces can be formed only in case of a certain level of capital concentration: yet their presence is indispensable for the economic growth. Consequently, if we refuse the LED utilizing an extreme autarchy and basically intend to utilize the market mechanisms, we have to find the suitable proportion of income inequalities, the appropriate interval between the possibly acceptable income differentials. It is a necessary and conscious step to achieve that discourse on capital cannot be only mere demagogy to make political capital.

Case studies

Results of our research show a specific image on real state of rural development and LED and the present forms of paternalism by settlement in Hungary.

Besence is in an especially disadvantageous situation. A significant part of the land is not owned by locals, the co-operative has to rent it. The remaining area was broken into small pieces, as tenancies in common, as a result of privatization after the political transformation. The lack of land hinders public employment too and does not make possible for locals to become small-scale entrepreneurs. It can be observed that the so-called project-class has become dominant representatives of which interfered in the development of the region without knowing local features or local society.

Oszkó has similar features to *Besence*, though the in-depth interviews did not give an exact data on the current land ownership. The importance of land ownership is dominant in this small settlement, too, but the proportion of lands in foreign, Austrian possession is not known. Disappearance of the former significant animal husbandry shows the unfavourable situation quite well. Another feature is that the area of the former co-operative and its equipment park are concentrated only in the hands of a few people. Prosperity of the settlement would practically stop without external resources. On the other hand, the strong civil organizations together with strong patriotism of the locals stimulate the endogenous forces of the LED.

Development of *Mórahalom* shows a diversified image based on agriculture and tourism. The constructions of the thermal bath and the hotel have been supported by EU-tenders clearly represent a paternalistic approach based on the local government. The civil organizations have a significant initiative force. The local inhabitants strongly attach to the settlement. It can be concluded from the in-depth interviews that the structure of land ownership is more manifold than any of the above mentioned two settlements regarding the homestead farmers. Besides traditional family farmsteads there are vegetable and fruit producers who apply more advanced technologies. The local co-operative, established in the industrial park, is a positive example for the LED. The firm processes vegetables, mostly coming from local lands, to ready to cook finished products. In *Mórahalom*, because of historic and economic reasons, the local economy is defined in connection with agricultural products which had been successfully achieved for 10 years by *Mórákert Co-operative*.

Paternalism of *Pásztó* is connected to the local government and of industrial-service type. The owners of lands and the ownership are similar to the ones in *Oszkó* and *Besence*. A very restricted group, and in many cases not the locals, are the important land-holders (for example lawyers for the sake of hunting rights). Neither the local government has no the

necessary land to introduce agricultural public works. The local government has „lost” the hospital, which was renovated by it, but its co-operation with a part of the local entrepreneurs is fairly problematic. It is a specific feature here that the local elite, meant as the elite based on income or business ownership, support the local cultural and social programs but strictly staying in the background.

According to the research, Szarvas meant an exception from the settlements being prosperous. It was a typical example for positive paternalism. The local authority strongly supports local enterprises, besides giving assistance in applying for tenders. The entrepreneurial activity which involves almost the tenth of the population is outstanding among the examined settlements. The local government successfully utilizes the inner resources of the settlement (arboretum, the river Holt-Körös); it realizes investments with local and unique values (water theatre, mini-Hungary). It is also characterized by a successful industrial establishment based on agriculture (poultry sector). These results are due to a local hero, the efficient mayor who is considered by others as a person with enlightened absolutistic management style owing to the activity of whom local relation (political) conflicts do not hinder development of the settlement.

Fertőd is an agricultural settlement with significant tourism close to the Austrian border. Its most important particularity is the position near the border that is why connections across the border are determinant factors. Foreign employment is excessive with commuting or circulating manner. The proportion of land ownership by Austrians is not known precisely but it must be significant. The value of ownership is shown by the fact that some Austrian land-holders renounced their citizenship and became Hungarian citizen in order to own lands and to cultivate those legally. The lack of cohesion in the settlement hinders the LED. Fertőd was established around the Esterházy castle from two settlements with different socio-economic backgrounds. Serious conflicts in co-operation, strong individualism and employment abroad weaken relations inside the community implying a very weak internal paternalism.

LOCAL ACTORS OF PATERNALISM

In the eight regions, with the exception of Szarvas, institutions of the *local governments* proved to be the largest and the most stabile employers because they perform public services. However, the in-depth interviewees did not see more opportunity of employment in public institutions. It implies that employment and in some cases, partly debated over-employment is state-funded. Increase of indirect state employment related to local governments cannot be expected. On the one hand paternalistic traditions are clearly strengthened by the determinant feature of state employment and on the other hand local employees are made vulnerable by it. Level of local over-employment would not be sustains if reduction of state redistribution will happen. The necessity of public employment hardly questioned by interviewed men but its extent was considered to be exaggerated and its practice too diversified by them. However, at the moment the interviewees could accept it in the lack of a better solution.

Local heroes are the key figures in occupational extension. They are second actors of paternalism who live in the settlement or have strong connections to and who initiate activities, successfully realized projects, coordinate different tasks. Recognition of these local heroes and their keeping locally are of basic essence in actions of LED to extend employment. Co-operation between the *project-class* and local heroes resulted the most successful projects and tenders. They are the most important factors in local economic development.

LOCAL HEROES – AS POSITIVE LOCAL PRODUCTS OF PATERNALISM

In each place of research personal feature and role of key figures; initiators had especially importance in local economy. We recognized that in fact they were well-identified persons with local connections who made initiatives, successfully accomplished projects and coordinated tasks. However, the question is how are they accepted as local heroes by the local community? Or, what will be the future if the key person leaves the region for any reason or perhaps he dies?

„Each initiative is connected to one person, the so-called key figures are extremely significant” said one of the interviewees outlining the above written thoughts.

Describing the phenomena of the local heroes we cannot forget about the mechanism of the so-called free rider-syndrome well-known in economics and social psychology. From his internal vocation, responsibility taken for the community and his need for recognition by the community a local hero invests enormous energy in his activity not expected by others. Free riders around him reap benefits of it without taking any risk and with less energy than they invested in. Everything goes on the basis of a tacit agreement accepted by the parties.

If the external intentions to development try to avoid these local heroes, reduction in efficiency would be expected, and sustainability of the project may be questioned. Thus, we can put the question why the representatives, very rarely hyenas, of the project-class, with a high level of political commitment, would avoid local heroes? According to our observation we can give answer that the values of exemption from country level politics (aloofness from political parties) and of pragmatism are typical of behaviour of local heroes. In case of members of the project-class most of the development resources would like to make their own, it is really worth them to avoid *„these strange locals”* who want to select in relation to external resources instead of being happy without hesitation about *„the external intention to help”*.

THE PROJECT-CLASS – THE CASTE OF PROJECT MANAGERS AND PROJECT WRITERS

Representatives of the project-class can be regarded as a particular intermediary sphere of state paternalism besides bureaucracy. One of our interviewees explained that the project-class can be found everywhere in the developed world who is closely related to politics. They live practically from development projects. There is an good example in Ormánság, for that where not the local needs are important, though organization settled there to realize the project there and carries out programs without authentic knowledge of the region (Szabó, 2012). The authors can complete the indeed fairly appropriate remark above that the members of the project-class can be regarded as a kind of intermediators who link the macro level with the micro one, thus they represent a kind of a middle level. That is why inhabitancy may not be expected. However, *„double life”* living also in the region, is necessary when the project is on. Without that the development projects are foredoomed to failure themselves and probability of their sustainability takes to one. Non-intentional effect the culture of dependence evolves (Garcilazio, 2011) with similar symptoms to ones are well-known as effects of direct state redistribution in order to restrain differences in the level of regional development either before or after the political transformation.

BUREAUCRACY AS THE OLD-FASHIONED SUSTAINERS OF PATERNALISM WHICH IS FAR FROM LED

In connection with every form of legal extension of local employment the interviewees listed those administrative regulatory obstacles which impede local initiatives and attempts from the state level to the local one. We perceived that in the vision of the future, made by the national state bureaucracy, the world of the county does not even occur faintly as a site of local economy and local employment (Péti et al., 2012). Over-regulation is the essence of bureaucracy in Central-Eastern Europe. The manager of an enterprise, owned by foreign capital, said „*I do not think that the Hungarian law is efficient because it is too complicated and also it does not sanction against law-breakers with due stringency.*”

LACK OF CAPITAL AS A FACTOR STRENGTHENS PATERNALISM

Capital means not only financial capital but also social and nature ones for us, has determinant importance for LED. In connection with financial capital we have to be aware of clearly that it can be formed not only locally. The amount of the available local capital depends on the measure of withdrawal and remittance. It is exclusively dependent on the system of revenue-expenditure formed by the state. Higher level of withdrawal expressly means a higher level of paternalism. More interviewees exposed important thoughts about:

„It is a principle of economics that there is a need for capital. There is no development without capital. If there is no internal capital, it should be added from external sources. The necessary knowledge should be understood under the capital namely skilled workers.” said one of our interviewees correctly.

„To keep the existing resources inside is a very important element of local economic development. In addition, attention should be paid to external sources admit that does not make us dependent. If a program can only be sustained by external resources, it will not be sustainable for long time. Consequently, the external resource is not a bad thing in general but it should support utilisation of the internal resources”- concluded another interviewed person.

Lack of capital has been a general problem for the Eastern-Central European region since the beginning of capitalist development. Without any doubt the optimal source of the extension of local employment would be the accumulated local capital and other types of capital if they are pushed into motion. Lacking them locals have to turn to external sources.

Human capital in our case study means innovative persons with a significant knowledge of local conditions who are able to value the local resources and to push them in motion as local heroes. As we have mentioned earlier to keep them in the locality is an essential task. Only in case of lack of them it is worth resorting to an external source. Support of immigration and return of emigrants, or their visits has both opportunities and risks exactly like the import of financial capital (Smith and Atkinson, 2011; Illés and Kincses, 2012).

CONCLUSIONS

Hungary is one of the younger and peripheral member states of the EU, in which the state of rural regions is a major issue, caused by the existing spatial differences in development, than in the older member states forming the central areas. The objective is to form a liveable (small, green, smart, sustainable) countryside which can be realized by local economic development (LED).

Paternalism has deep roots in the so-called Central-Eastern European region. By examining the opportunities of the ideal type of paternalistic countryside within context of the extension of employment of LED, the presence of the local heroes were concluded to be the most important factors. They can be the new representatives of paternalism which is relatively independent from the state. It can be added that although they carry the paternalistic traditions on, they still have an important part in moderation of destroying external effects (state, bureaucracy, representatives of the project-class). For it they undertake conflicts even against bureaucracy as representatives of the central power.

Opinions and experiences of the local stakeholders gave a specific image on the complex situation of the present countryside even through with this small number of examples. In seven regions out of eight the institutions of the local government proved to be the largest employers performing public services. It is very interesting that the interviewees of the in-depth interviews did not find more opportunities to increase employment in the public institutions. It seems to be that over-employment is there even today.

Our research showed that the new public works program was assessed in an extremely wide scale. One of the firm owner said that public workers had to be separated from other employees because they erode the work ethic. On the other hand, other one mentioned that the public works program could be a good initiative. Due to the transformation of the role of work and the low external respect self-employment seems to be a better chance in LED instead of selling their own work skills. We have to add that in many places successful self-employers were found not only among the local heroes.

The former Hungarian characteristics of paternalism occur even today. Determinant in that down in the country power structures created such conditions for life, fixed in social stratification, wide condition for life of serfs, servants, agricultural proletariat, commuting industrial workers, unemployed youth, that heavily influenced strongly affected against autonomy, entrepreneurship, and responsibility. If there is a local hero in the settlement who is independent from the state, state bureaucracy and project-class, there is a chance to achieve successful rural development, realization of LED.

Besides local heroes who concentrate on utilization of the internal resources, a strong local attachment, local ownership, local capital, local institutions and innovative force, manifested in local products of special quality, can be a remedy to external paternalism.

First and last the features of the paternalistic countryside appear on the level of institutions of local government and local heroes. The local paternalism is connected to a strong local government (mayor) and persons with entrepreneurial spirit regarded as local heroes. Mórahalom, Szarvas, Bazsi and Rimóc can be much better characterized by the local paternalism as Pásztó, Besence, Oszkó and Fertőd.

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