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**ON THE WAY OF MEETING
EU REQUIREMENTS
– A BROADER VIEW
ON HUNGARY'S INFRASTRUCTURE DEVELOPMENT
IN CONFORMING TO EU STANDARDS**

Everything is hard for one alone, but nothing is impossible with the help of others

István Széchenyi, the "greatest Hungarian", entrepreneur and politician

**Environment – general information
about Hungary**

Hungary is a kidney-shaped country lying in the centre of Europe sharing borders with seven neighbours: Austria, Slovakia, Ukraine, Romania, Yugoslavia, Croatia and Slovenia. There are three basic topographies: the low-lying regions of the Great Plain in the east, centre and south-east, and the Little Plain in the north-west; the northern mountain ranges, which include Hungary's highest peak (the 1015-metre-high Kékestető); and the hilly regions of Transdanubia in the west and south-west. The biggest rivers are the Danube and the Tisza, which divide the country into thirds, and the Dráva which forms the south-western border with Croatia. The country has over 1000 lakes – the largest, Balaton, is strewn with thermal springs.

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More than 60% of Hungary is under cultivation and only 18% remains forested. Most of the forests are beech and oak, and there is a small percentage of fir. Common animals include deer, wild hare, boar and otter, and there are also rare species such as wild cat, lake bat and Pannonian lizard. However, the majority of the country's vertebrates are birds, especially waterfowl attracted by the numerous rivers, lakes and wetlands. There are five national parks and almost 1000 protected areas.

Hungary and the European Union

Hungary together with its regional counterparts has to integrate with the global economy after the collapse of the Soviet market system. Therefore, the need to join the European Union cannot be questioned, because we have no other option for integration.

The first talks about co-operation started in the 70's and were intensified in the 80's. In 1983 Hungary and the EEC signed an agreement about commerce and co-operation. Then they tightened their relations with the Europe Agreements in 1991. In 1994 Hungary submitted its request of accession to the EEC and four years later in 1998 the negotiations started with the screening period.

Since the country lags behind the Union, the EEC created PHARE to enable a faster way for the applicant countries to join the community. This gives great help to the candidates and at the same time provides a good opportunity for the aid supplier to control the reconstruction and development processes.

Facts: Hungary's annual GDP per head is not much higher than 50% of the EU average. Although the change of regime has been carried out in a very dynamic way after the 1st decade there are still many fields in which we don't match EU requirements. The most sensitive topics are: agriculture, environmental protection and the complete fulfilment of the four freedoms (free movements of people, goods, capital, services).

Challenge: being in this position besides the tremendous development figures showing increasing stability in the economy, realisation of a free market system and growing financial reliability, the most important objective is to protect ourselves from the negative externalities which may occur due to the import of capital and technology. Here, we can include the high and growing consumption rate, "waste production", development by expansion –using other country's resources.

Solution: when implementing "western models" it is first advisable to make a thorough analysis on both the mid- and long-term consequences considering both environmental and social effects. We can avoid making

the same mistakes, if we learn from the examples given, instead of copying them automatically.

Environmental issues

Environmental protection is one of the hottest topics in connection with the harmonisation of Hungarian law with community law. For many decades in the communist era the environment was not regarded as an important factor of decision making. In fact only production and development – mostly in terms of quantity – was considered. Changes in the political and economical orientation of the country brought along a different attitude towards the values of natural assets as well. The focus has been shifted from quantity to quality. Though in the previous decade Hungary had to start a new way of development to catch up with the Western countries' standards with a great handicap. As well as getting closer to a developed level of environmental concern, now we have to protect against new dangers and threats that modern civilisation poses nature and human societies.

Regional development

An environment-friendly approach gives alternatives also in regional development: instead of bulky urban areas and agglomerations, it pays attention to smaller settlements. The most important principles are: decentralisation, increasing self-reliance, independence from big networks and systems. These can be strengthened by decreasing the level of transportation and shipments, which are extremely harmful to our environment. In addition to a cleaner environment, these tendencies can enable a life closer to nature for more people.

Negative scenario: according to pessimistic forecasts, the spreading of consumer society leads to the disappearance of villages and all characteristic features of human settlements, and results in uniformism, society falling apart, the dissolving of cultural cohesion and human life being separated from nature.

Principles: if we want to avoid this black scenario happening, we have to act according to an environmentally friendly approach, which focuses on "local" in the meaning of local environment, independence, self-reliability, cutting back transportation needs and bringing nature closer.

Solution: plans of plans must include the preparation of regional development plans, realisation of decentralisation, implementation of subsidiarity into practice and protection of the remaining green areas.

Infrastructure development – Transportation

It is important to see that Hungary lies in the central part of Europe and because of its geographical position it suffers from heavy and increasing traffic throughout the country. In addition to this, there is a declining tendency of rail usage in favour of more polluting and more expensive common road and high-way traffic.

Facts: transportation is the most polluting and harmful to health and the damage made is not paid by those who cause it.

Challenge: is to uphold the relatively high (but decreasing) share of public transportation, which is fairly well based in Central- and Eastern Europe, to avoid the western level of car usage (both travelling and forwarding goods) and not to permit Hungary turn into an international transit-country at any cost (good example: the EU – Switzerland agreement).

Solution: in order to keep development sustainable, transportation investments should emphasise the usage of railways instead of motorways, for example building real costs into prices (fuel, highway tolls, etc) and focus more on modern infrastructure values: IT and telecom networks.

Traps – development but how?

An example – Development of a EU sewage system conforming to EU standards in Hungary

Hungary's environmental infrastructure needs development (such as waste-water cleaning and sewage network building, waste management, etc), which requires solid financing. The country still suffers a lack of internal investing power, therefore it is crucial to make the right decisions on how to allocate the money at our disposal and the support of EU and other sources.

A particular asymmetry can be recognised between Western and Eastern Europe. While the consumption of natural resources per capita is much higher in the more developed countries, the efficiency in their usage is also better in the EU. Directives usually do not differentiate between to the conditions of the environment. Thus in many cases Hungary has to realise very **expensive development projects**, which in fact are not so crucial, since the often better environmental conditions are often better than compared to some EU countries. An example of this is the relatively good condition of our soil and the expensive sewage network development. Obviously behind these initiatives there is an obvi-

ous business interest – western investors and producers (and some home subcontractors) of the so called environmental industry see us as new market opportunity.

According to an EU directive, sewage systems must be implemented in all settlements of 15,000 or more citizens from Jan 2001 and in settlements of more than 2,000 citizens from Jan 2006. During negotiations with the EU, Hungary made a pledge to meet these requirements by 2010. Investments are supported by various sources, 40–50% governmental and a further 10–40% from other central (regional development, water and environment protection) sources.

The results of the past decade's sewage pipe and cleaning system development in Hungary are questionable. According to expert opinion, the requirements of the EU directives could be achieved by spending much less than the \$3 billion investment calculated by the ministry, if only a more sensible, better-elaborated support system existed. It is noteworthy that between 1991–2000 the length of the pipe network increased by more than 90% (to 22,000 km altogether) and the number of settlements involved in the network expanded by 80% while the number of households involved grew only by 25%. It is the special support system that is to be partly blamed for these illogical development. When allocating money from common sources, regional networks are preferred to single applicants. In addition, if one of the settlements is on a highly protected water source, it brings along the other ones as well to the top of the "waiting list". The support system includes a maximum limit, which can be given to the applicant to avoid the support of too expensive projects. But in general applicants look at this top limit as the normal grant and try not to go below it – which usually matches the interests of local authorities. On the other hand, in the capital for example, instead of extending the network, it would be much more useful to renovate the existing one, but it does not seem to be an attractive job for either the politicians or the entrepreneurs. In several regions the good soil conditions would allow the implementation of cheaper alternatives with the same results, but the support system for such solutions is still not ready, forcing local authorities into unnecessarily expensive investments.

The **costs of accession**, from the environmental point of view emerge mainly in the following fields: protection of cleanliness of air, waste management, sewage management. The environmental politics harmonised to EU requirements places obligations on some of the actors of the economy but on the other hand creates business opportunities – however not necessarily for the same actors (e.g. the building industry, environmental industry, tourism, etc.) Therefore, besides collecting taxes from the polluting sectors, in the financing process it could be useful to also

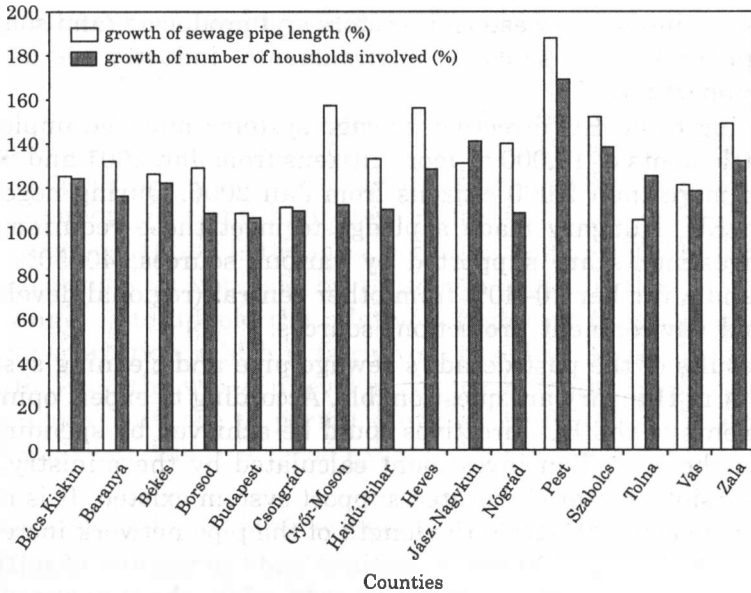


Fig. 1. Changes in the sewage system between 1990–1997

involve the sectors which realise most of the profit deriving from the better environmental circumstances.

Another dimension is the **impact on the earnings-structure** of households. The compliance to stricter requirements in the field of environmental protection inevitably leads to increased energy prices and costs of waste management, water and sewage system. There are differences though in how these growing costs effect household budgets of various income levels. For example, families of the top income categories are only slightly effected by increasing costs and their investments on efficient energy usage are soon returned. On the other hand, people from lower income categories can hardly afford investments and even a little cost rise can cause imbalance in the family budget.

Meeting the strict environmental requirements of the EU brings **benefits**. It is proven that these investments bring along social and environmental advantages which are hardly measurable by numbers, but promote the appreciation of natural resources, maintenance of good health and have a positive impact on other sectors as well.

Finally, we can assume that the country's improving economic performance and growing financial power will enable the accomplishment of the EU requirements regarding environmental protection in Hungary, provided that the resources are allocated to the most important pro-

blems and used for absolutely necessary schemes. It needs sensible support systems to be elaborated and accurate control over realisation of the development projects.

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