

# Croatia and Hungary, a Geo-Economical Position within the European Union

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**Summary:** This study presents geo-economy as a new branch of science while analyzing the Croatian and Hungarian geo-economical position within the EU. The study discusses the effect Geo-economy as new means of warfare in international relations and in the broader context of an increasingly globalized world economy. What are the borders between geo-economy and geopolitics or geo-economy and political economy.

**Key words:** Economics of globalization of the world economy, Croatia and Hungarian geoeconomical position.

## 1. INTRODUCTION

Geo-economics is a new scientific discipline which focuses on the multilateral study of economic development and interconnection between countries. This implies the study of economical, geographical, historical, political, legal, lingual, cultural and all other characteristics of individual countries and regions in the world. Geo-economics can be viewed through:

1. Researching relationships between politics and economics, primarily in international relations
2. Geo-economics could be a key element in state doctrine
3. A combination of international economy and political factors that refer to a specific influence towards a nation or state

Italian geoeconomists define geo-economics as a discipline that calculates politics and strategy used to enhance a countries competitive advantage. Russian geoeconomists claim geo-economics to be a key product of globalization. Geo-Economics is a scientific discipline which comprises globalistics – science of global transformation (Babić 2009; pg . 29-58).

The scope of geo-economics can be viewed trough the following:

1. Financial network
2. Information technology
3. The power of multinational or other state-owned companies

With the combination of these factors we are able to neutralize state borders and impose an influence on a specific state or region. Despite global changes, we cannot say that a country has vanished as it is still very present, but it is redefining it's role trough the influence of geo-economics.

In the modern, globalized world, geo-economics is a new form of warfare. Previous geopolitics was guided by the idea of countries fighting each other for the purpose of enhancing their territory, while geo-economics is driven by a countries aim to dominate over a localized, regional or global area. Geo-economics does not exclude reaching a superior standard of living, it does aim to overtake or preserve a specific role in the global economy. V. Putin also refers to Geo-economics in his doctoral thesis: “Russia shall once again become a global, political and economical player if vast quantities of Russian oil and gas are taken from private companies and are placed in the hands of the Russian government (Domazet 2009, pg.337-372).

Geo-economics is a new way for old rivalries between countries to come into play. What once guns were used for, today it may be product development which is subsidized by a particular country. State aided market infiltration has taken the place of armies occupying foreign soil. The result of geo-economical rivalry may equal that of a open military conflict:

1. The victors seize leading positions, white-collar positions
2. The losers are left with lower and middle-management positions, together with those on the assembly line where they are unable to make any strategic decisions

inadequate protection is not vital for a national economy to be sustainable, but rather the adequate preparation to ensure a successful outcome of a battle in the geo-economical sense. Rigid, and some may say stupid, isolation is not required to ensure victory, but wise openness and acceptance. Rather than protecting weak producers, support should be given to the strong, powerful and likely winners.

In order to achieve this “wise openness” a fully devised long term, geoeconomical strategy is mandatory, together with state apparatus that is capable of enforcing and reaching all strategic national and governmental goals. This is especially

curtail in devising governmental goals for the Republic of Croatia. In that capacity, a complete revision of the state funded support which imply substantial reliance on subsidies across all sectors, which in accordance with EU guidelines ( Pretpristupni ekonomski program 2009-2011. 2009; pg. 37), as well as from an economical perspective is considered extremely poor politics because that form of support, realistically speaking, dismisses market competitiveness and the long term competitive advantage of our country. To simplify, it is not productive to maintain on life-support, with pointless use of public funding, companies that are unable to remain operational. Nearly 80% of departmental subsidies have been given to shipyards, railroad traffic and ironwork factories.

When discussing geo-economics and political economy, or geopolitics, there are 2 types of provisional boundaries which determine the scope. The aim of geopolitics is dominion over a particular area and its inhabitants. The aim of geo-economics is to establish an economical, energetical and technological advantages. The drivers of geo-economics are countries and large corporations, however that is not the case with geopolitics. However, does not imply the disappearance of territorial pretentions. Some authors deem the all of the world an area of simultaneous acting between geo-economics and geopolitics, the coherence and synergy of those is called geo-economic warfare (Babić str. 29-58).

Political management uses traditional methods for managing its economy, monetary and fiscal politics, regulating the labor market et sim. Geo-economics uses other means which political economy excludes. The goal of every enterprise is commercial one, while the government has other strategic and national agendas in mind. Private enterprises invest in research, new product development and are always on the lookout for new markets for these products for pure commercial reasons. This is a “pure” economy. When the country aids and allocates its resources to aid these same economies, this is called “geo-economics” because its motives surpass the mere commercial ones. We can stipulate that the main difference between these two concepts is the involvement of the state or country. In that context we can argue the importance of strategic goods in geo-economics such as: oil, gas and other sources of energy, food, water and other transport infrastructure.

## **2. HUNGARIAN GEOECONOMICAL POSITION IN CENTRAL EUROPE**

Hungary has a vital geographic position in central Europe, it also has a highly developed transport infrastructure, very strong agricultural industry, and one, but very powerful

multinational energy conglomerate MOL. This provides Hungary with a strong strategical support to develop to expand its geo-economical and geopolitical position in central and southeastern Europe. Hungary is one of few continental countries which, as already stated, is superbly situated in the geographical sense, this in the geostrategic context, makes it one of the best territories on European soil. Hungary is a transit country across which roads lead in both directions, east-west and north-south. Due to the benefits it's landscape provides, across the territory of this towards Croatia friendly and neighboring country have been constructed various roads and railroads which connect central European with western European countries. They range from Black and Caspian sea to the east, across the eastern Mediterranean and Middle East, trough Croatia and the Adriatic sea, or rather the central Mediterranean. Hungary has another strategic significance, it is situated on the central part of the Danube river, thus connecting the Atlantic and the Black Sea (Domazet, pg 230; 2016.).

Ever since its rise to power in May 2010, the political party of the central right oriented Fidesz is expedient in performing the Hungarian governmental, political, media, financial and legislative restructuring all while constructing a potent political and logistical stronghold for all Hungarians outside of Hungary and fortifying the geo-economical and geopolitical position of Hungary in central Europe.

The predominant, two third victory won by Fidesz, at the last parliamentary election, the Hungarian prime minister Viktor Orban has compared with the French enlightenment, English industrial revolution, Americas fight for independence , the German unification and the democratic transition in central Europe (<http://narod.hr/u-prijevodu/mol-geoekonomski-mac-viktora-orbana> 21.6.2014.).

In this context, significant weight has been given to Orbans statement regarding the position of the Hungarian oil company: “Should anyone questions the integrity of MOLs employees, we shall always respond. However, if anyone forms an alliance with MOL, they are forming a strong alliance with the Hungarian people (<http://www.jutarnji.hr/-madarska-ce-zastititi-mol-ako-bude-potrebno--madarski-premijer-viktor-orban/1133037/>,15.06.2013.). We can stipulate that MOL is a vital geo-economical instrument in Hungarian state politics. The Hungarian government holds around 24% of MOL shares.

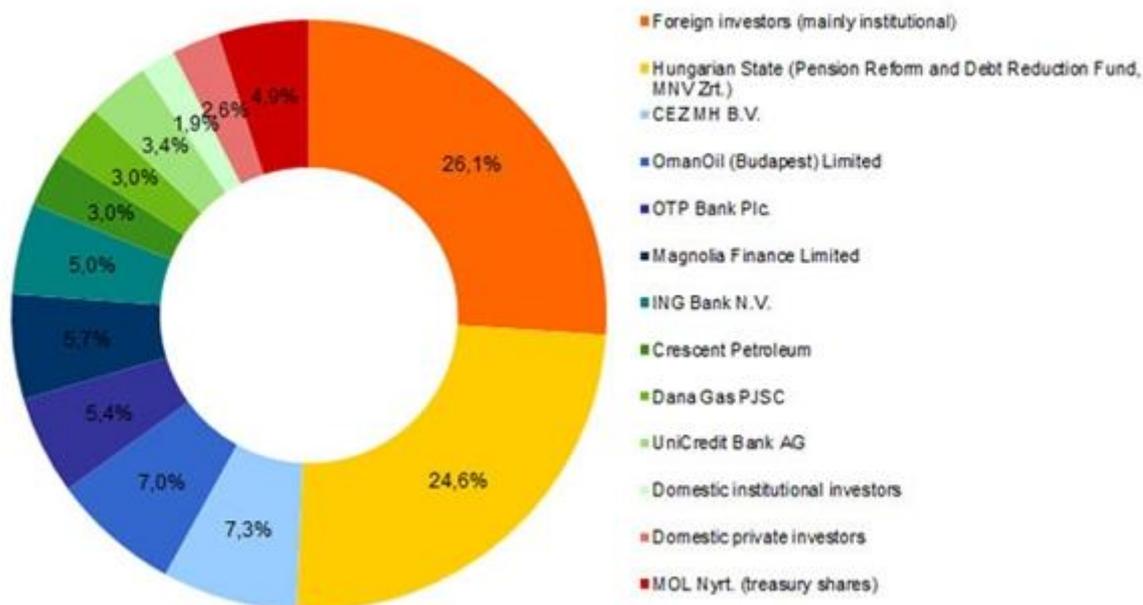


Fig. 1. Ownership structure of MOL Group ([http://www.energopetrol.ba/o\\_mol\\_grupi.htm](http://www.energopetrol.ba/o_mol_grupi.htm)).

The spiraling progress of the Hungarian oil company has strongly been supported by prestigious international and institutional investors primarily from the USA and UK. „Institutional Investor“ a notable investment magazine has designated MOL as one of the most eligible companies in Central Europe. This explains why the progressive development of the company had received strong support from prestigious international institutional investors ([http://www.energopetrol.ba/o\\_mol\\_grupi.htm](http://www.energopetrol.ba/o_mol_grupi.htm).1.3.2015).

**MOLs key activities include:**

- Research and production of crude oil, natural gas and gas derivatives
- Processing, transport, storage oil, gas and gas derivatives in wholesale and retail
- Transport and selling of natural gas
- Production and sales of olefin and polyolefin

MOL is a leading and integrated oil and gas company with its HQ situated in Budapest, Hungary. It conducts its business on the EMEA region ( European, Middle East and Africa) as well as in the Commonwealth of Independent states and employs 34 000 people across the world, with over 12 000 in Hungary alone. MOL has several complex refineries in Hungary, Slovakia and Italy with a capacity of over 23.5 mil tons per annum. According to the global research conducted by Wood Mackenzie Consultancy, the refineries in in Hungary and Slovakia (Apolon- Bratislava in particular) are one of the most efficient in Europe.

The geopolitical and geoeconomical strengthening of Hungary reflect on to Croatian national interests in the following ways:

1. What are the interests of the Hungarian partners in modernizing Croatian oil refineries in Sisak and Rijeka if they own the most efficient refineries in Europe?
2. What are the Croatian national interest in relinquishing the control structure if INA to its strategic partner MOL if there are indications that it has not (and is not willing) to comply with its strategic obligations.

Comprehensively, the strategic obligations have been defined in a contract signed in 2003

( Konceptcija i prijedlog privatizacije Jadrolinije; pg.73 ):

- there are no layoffs of employees for a period of minimum 3 years
- no refinery is to be shut down
- no profits are to be taken from the company for 3 years whereby INA should primarily have to invest in sales on the local and regional markets, as well as in environmental sustainability
- in year 4 a total of 25% of the profit can be withdrawn provided they produce an investment plan
- the strategic partner has no right of first refusal in the next stage of privatization
- without approval from the government, the strategic partner is not able to exit INA over a period of 5 years
- increasing efficiency in the short run primarily trough lowering costs, and in the long run trough introducing new technologies and adopting best practices available in the industry

Answer to these questions should be an integral part of the economical and development plan for al past and future governing elite in Croatia.

The merging of INA and MOL, as explained by the Croatian government, creates economies of scale (the largest in Central and Eastern Europe), which will be able to not only maintaining but grow and develop itself towards in an increasing competition on the open market. MOL has, in every process, presented itself as a strategic investor, rather than a financial one and as such, it's primary focus is not merely a return on investment. It is rather on synergy, partnership, economies of scale, potential logistics and the geographical overlap of interest groups.

However, the key factor in this merger was the strengthening of the regional position for both companies. One of the goals was also cutting of costs, this is why from the very beginning there was a plan to consolidate all cost centers in all four companies (MOL, INA, PKN Orlen and Slovnaft) into one. Alternatively, each company on its own in Central and Eastern Europe would potentially be threatened to be overtaken by one of the American or Russian oil giants that are on the constant lookout to overtake new markets.

MOL Group consists of MOP Plc. (Hungary), TVK (one of the leading central European petrochemical companies, Slovnaft (Slovakia's largest oil company), IES (a private company for refining and selling oil situated in northern Italy), 49,1% of INA (leading Croatian oil and gas company), Austrian Roth Heizöl, 74,99% of Energopetrol (Bosnia and Herzegovina), through the INA Consortium, MOL also owns the Croatian oil company Tifon.

It is not insignificant that INA-MOL-Slovnaft have nearly 1200 gas stations at their disposal (withstanding the near 200 INA gas stations in Serbia and Montenegro) and they are only second to PKN Orlen which has nearly 1600 gas stations. For mere comparison, the Austrian OMV has 600 gas stations on that same market. Ever since taking control of Slovnaft, MOL's strategic direction has been clearly visible in forging new partnerships with leading regional organizations in this sector, backed by strong political and strategic support by the Hungarian government. MOL continues to expand onto Slovenia where it has acquired petrol stations which used to belong to Agip and Eni. MOL has taken over Agip's petrol stations in Czech, Slovakia, Hungary and Romania and has then continued to overtake Eni's petrol stations in Hungary. After the aforementioned takeovers, MOL has ended up with over 2000 petrol stations in 11 countries across Central and Eastern Europe (<http://hr.seebiz.eu/Agip/> 30.12.2016).

A large number of people belonging to the Hungarian national minority (some 2,5 million) across Central and Eastern Europe are trying to fortify their economic and political interests through MOL.

The Hungarian geo-economical and geopolitical offensive in Central and Southeastern Europe consists of 3 strategic elements:

- a) the regional strengthening of MOL Group
- b) providing Hungarian citizenship to all Hungarian ethnic minorities outside their ancestral country
- c) seeking political and cultural autonomy for all Hungarian nationals in Slovakia and Romania (<http://www.index.hr/vijesti/clanak/orban-trazi-autonomiju-za-madjare-izvan-granica-madjarske/745708.aspx> 1.6.2014), in a synergistic context, these result in a genuine geo-economical war.

It is worth pointing out that Hungary has four nuclear reactors at Paks Nuclear plant, and they plan to construct 2 more with help from their Russian partners which will finance them with a loan of about 10 billion euros (80% of the expenses) and supply them with fuel. The Hungarian parliament ratifies the plan with 256 votes for and a mere 29 against it. The reactors should be completed in 2023 and 2025

(<https://ekoloskaekonomija.wordpress.com/2014/02/11/poljska-i-madarska-europski-energetski-konzervativci/> 20.1.2016).

### 3. CROATIAN GEOECONOMICAL POSITION

In times of global recession, Croatian economy has proven to be extremely fragile and many other weaknesses which seem to be inherent to Croatia have also surfaced, some being (Šarić, 2014.):

- Limitations in managing economic politics which is derivative from high international debt and in its structure is fiscally deficit
- Poor competitiveness of Croatian products and services in international markets which is a result of poor technological advances
- An extremely low rate of work capable population between the ages of 15 and 64 years old (57%)
- Inhospitable investment climate, especially for capital investments

In that context it is important to scrutinize the significance of geo-economics in Croatia's development strategic policy by taking into account the following:

- Water
- Area (geo-economical and energy, land and sea traffic)
- Tourism

This paper will focus on energy and transport potentials which can be integral components of the geo-economical strategy of our country. It is important to emphasize that in geo-economical strategies goals need to be determined by geo-economical products which require strategic support from the country. The prerequisite for this is superior organization and subordination of all vital national and governmental institutions to reach national and governmental goals.

To form a geoeconomical strategy, a SWOT analysis of the geopolitical and transport infrastructure in Southern Europe is required, this may give a new perspective to our position:

**STRENGTHS:**

- Favorable geopolitical location
- Preexistence of infrastructural capacities
- Existence of international interconnections for the transfer of energy

**WEAKNESSES:**

- Insufficient energy production capacities (electricity, oil)
- Increasing import of energy as the economy exits recession
- Lack of capacity to form strategic supplies (oil and gas)
- Public incoherence towards energy projects
- Delay in adjustments to European regulations in separating production and trade from transfer of energy into electrical energy

**OPPORTUNITIES :**

- Croatia’s strategic position in the region
- Active participation in the work of the energetic community of southeastern Europe
- Potential for constructing new interconnections by using EU funds
- Development of trade and tourism based on the increased transport of goods

**THREATS:**

- Transfer and storage capacities in some of the neighboring countries ( Austria, Hungary)
- Slow development of markets in the field of energy and low knowledge of potential on energy trade
- Abundant political influence in the energy sector

We can conclude that Croatia has a relatively favorable geopolitical position, as well as in regards to transport, especially in corridors that transport energy towards southern Europe. However, that position has not been nearly capitalized to its potential. After leaving its isolation, where it landed after the fall of the former Yugoslav republic, Croatia was hesitant in joining in on international projects involving energy, and now is in peril of being completely circumvented.

The intense use of energy, presumably is a result of Croatian economical development. At the same time, due to the strategic role it plays, energy has a political dimension, both in planning energetical development and in devising strategical goals for the government.

We can say that energy plays key role in geo-economics. The globalization process has, among other effects,

instituted a new model for conducting business and politics in companies and governing bodies. Those who are able and willing to accept international codes of conduct have access to development and investment potentials, otherwise the country might remain completely isolated and theologically underdeveloped, whilst in its educational sector is completely uncompetitive.

The question arises of that is Croatia’s position, especially in the transport and energy sector as key elements of geoeconomical strategy?

Croatia and its companies will need to align its electro energy policy in compliance with globalization together with preserving national interests and networking into Europe’s energy conduits. To satisfy its needs, Croatia imports roughly 80% of oil and 40% of gas which imposes limitations on economic development. As a rule of thumb, cheaper energy sources lead to a more efficient and more competitive economy. In that context, it is important to devise a geoeconomical strategy that will imply state action. Croatia set it’s goals on several international projects:

1. Pan European pipeline (PEOP)
2. Družba-Adria.
3. Southern stream

However, due to poor preparation and conduct of Croatian politics, these projects have been completely marginalized and set aside from the political and economical interests.

Meanwhile, the plan to construct an LNG terminal on the island of Krk remains in effect. With the completion of this terminal., Croatia would become a strategical factor in the field of energy. The construction of the LNG terminal on Krk is one of the vital strategic projects, not just for Croatia, but for whole of Europe. The successful completion of the LNG terminal completely changes the relationships not just in the gas sector, but in the coinciding sector of electrical energy and sector of transport. The European CEF fund has granted Croatia 102 million euros for the construction of the LNG terminal, and recently there was a public international tender for companies that are interested to supply floating facilities for liquid gas plinification. Undoubtable, the importance of the LNG terminal is not measured merely by its economical potential, but in its safety and geostrategical category it can significantly contribute to Croatia’s geostrategical and geoeconomical repositioning in comparison to its neighboring competitors.

LNG trade entices the globalization of the market of natural gas and it ensures the consistency and competitiveness in supply. With the potential shift in geopolitical relations, and the possibility to supply EU with gas from different sources, the construction of the LNG terminal becomes a vital factor in the future energy policy in the gravitating geopolitical surroundings Croatia finds itself in. Looking at the broader context, by introducing a new transport option and supply of natural gas, ensuring this supply presents a strategical and energy potential for the republic of Croatia and option for it

to become a vital node point in the integrated European, or Euro-Mediterranean pipeline

(<http://www.poslovnih.hr/poduzetnik/izgradnjom-lng-terminala-hrvatska-bi-postala-strateski-energetski-igrac-334> 17.11.2017).

Because of its development and rise in GDP, Croatia will need to increase the consumption of energy, while simultaneously a portion of the public and several NGOs advocate the reduction of energy consumption and moving towards renewable energy sources. In that sense one must point out that for such a drastic change Croatia has no available credit nor investment potential.

Croatian electric supply company – HEP, together with the LNG terminal, could be one of the driving factors in Croatia's geo-economical repositioning. There have been several legislative and other prepositions that suggested the privatization of HEP.

The optimal restructuring of her can be achieved through the IPO model (initial public offer).

IPO can accumulate a substantial amount of fresh capital (when privatization of a company initially starts). Some of the largest infrastructural companies in the west had been privatized in this manner. Public announcement of shares through IPO is especially beneficial where the size of the sale justifies additional costs, but one must consider the transparency of the project. High costs and the longevity of the process itself make it unsuitable for smaller enterprises therefore it should be only considered for larger companies such as is the case here. However, this model requires a highly evolved economical market and also requires capital, as well as a sophisticated procedure of preparing public companies to enter the stock market which is a complex process in itself. Apart from that, IPO requires detailed preparations to determine precise price.

IPO requires a company to be privatized in order for it to have an adequate size and be eligible for the process overall, which would justify the public sale of its shares. This model generally involves making the following decisions (Konceptija i prijedlog privatizacije Jadrolinije, Ekonomski fakultet u Zagrebu 2005. pg.40-63):

1. Number of shares that are to be sold and at which stage
2. Determining the price (One of the key goals in privatization is ensuring revenue streams. Although maximizing income is not its primary function, the price of a share and its value later is a firm indicator of success for that company)

The following are key stages in privatizing companies through IPO:

- Restructuring (the entire industry or a specific company)
- Preparing information packs which will contain all the necessary information for potential investors

(content regulated by law includes explaining policy on dividends, influence of outside factors, participation of employees and management, governments intentions of distributing residual value)

- Ensuring all relevant questions regarding politics are addressed initially to avoid any discrepancies or confusion which may shake the investors trust
- Marketing of the companies shares on large financial markets
- Determining the registration period
- Distributing the share offers to different type of investors such as private entities, institutional foreign and domestic investors
- Determining the price

The advantages of selling company shares are the following: transparency, capital market development, creating broad proprietorship, and in case of success it can help create great reputation for the government in case of future sales. This is also a great mechanism for attracting foreign investments, both institutional and non-institutional.

Public sale of company shares requires:

- A company to be sufficiently large with decent income and development potential
- A comprehensive access to financial, managerial and other information without the need for market investigation
- The local market need to be financially solvent
- Existence of developed capital market that has the ability to attract and inform potential investors

IPO is the most transparent method of selling shares, but it is also the most expensive one. It involves significant restructuring of the company and involvement of many experts from various fields of study. Considering the demands on the preparation, public offers are typically used in privatizing large companies that have favorable financial results. This model is especially attractive where the government is trying to develop the market for capital and where it wants to institute the culture of market economy (Konceptija i prijedlog privatizacije Jadrolinije, Ekonomski fakultet u Zagrebu 2005. pg.39-73).

What would restructuring of HEP mean for Croatia in a geo-economical sense

(<http://www.hep.hr/hep/publikacije/godisnje/2012godisnje.pdf> 1.03.2014.):

1. As a restructured company which has entered the stock market, HEP could be a regional leader which could take over other energy companies in Europe. In this way it could strengthen Croatia's geo-economical position in Central and Southeastern Europe. In that case it would be

crucial for HEP to take control of” Hrvatska Elektroprivreda Herceg Bosne” in Bosnia and Herzegovina

2. Croatia would meet the requirements of the “third energy package” which are suggested by the European Union if a significant increase in market competitiveness and solvency is achieved, and by modernizing the infrastructure and ensuring constant supply of energy. In that way, Croatia would become a strategical partner in to the European Commission in this part of Europe.

Adequate valorization of its geographical position is significantly important for the Geo-economical development of Croatia. The Croatian transport infrastructure has achieved dramatic changes over the past 15 years, primarily through construction of new roads. At the same time, other methods of transportation especially maritime and rail transport have been completely marginalized.

The construction of highways has provided numerous kilometers of infrastructure, planning of transport infrastructure has been completely ignored in the form of economical development. Large distance between cities and overcharging for highways resulted in lower usage of the entire highway network which is, in most of its sections, below the profitability benchmark.

The Croatian railroad system did not manage to reach its operational and financial results which are required to support Croatia's economic development. Decreased rail traffic and limited operational results increase operational expenses and endanger the financial sustainability of HŽ (Croatian Railroads) which is dependent on government subsidies. Even with these, very substantial governmental subsidies, this company is not competitive on the European transport market. On the past years the companies income covered roughly 74% of their operational expenditures. In pointing out the sustainability ratio and by excluding governmental subsidies, it is evident that Croatian railroads are not able to be self-sustaining and survive without subsidies from the government. The diminished competitiveness of Croatian national railroads is an increasing concern because of the low costs of accessing the infrastructure, because those costs are paid by the government (Šarić M. (2013) Prikaz knjige, Naslov: Hrvatska: Strategija pametnog, održivog i inkluzivnog rasta: izvješće br. 66673-HR. pg.715-718).

Croatia has the ability to connect to the Pannonian lowlands by river and railroads and thus become a vital economical factor in the Mediterranean and Central Europe.

To strengthen its geoeconomical position, Croatia must realize the following two projects:

1. Construct a rail corridor Budapest – Botovo-Zagreb – Rijeka, the main rail corridor in connecting central, mountain and Mediterranean Croatia, but also vital in connecting the following regions; the Alps – the Mediterranean - the Danube river. This corridor connects the Croatia's biggest port city Rijeka with its interior, and through it with central European countries (Hungary, Czech Republic, Slovakia and Poland) that gravitate towards the port of Rijeka. This is why the development plan of HŽ has been given priority, which would allow to construct a dual track system ranging all the way from the Hungarian border to Rijeka, and that would allow to reach a speed of 200 kph. This would shorten the existing railroad from Karlovac to Rijeka by 54 km, and limit travel time from Borovo to Rijeka to little over 2 hours. At the same time it would ensure the ability to transport 25 – 30 million tons of planned cargo per year ([www.mppi.hr](http://www.mppi.hr), 28.6 2013).
2. Construction of the multipurpose channel Danube – Sava until Vukovar is a significant infrastructural project for the development of river traffic and the combined traffic of agriculture and water supply in Croatia. The channel is 64,1 km in length. The construction of the multipurpose channel is the first step in establishing a quality corridor Danube – Adriatic which would, along the favorable Rajna – Majna – Danube route, constitute an appealing combined route from the Adriatic sea to Central Europe. This would also connect Croatia to ports in the Black Sea. This would solidify Croatia's geoeconomical position.

#### 4. CONCLUSION

1. Croatia is at this point, as many times in its history, solidifying its international political and economical position. As Croatia's history is not determined by peace and political stability, its geoeconomical position is unique and needs to be the driving force in the countries development. To achieve state interests, bipolar interests must meet, thus for the national economy to thrive the process of globalization cannot be avoided. A well-conceived strategy would be to aid government owned companies of strategical importance (and other geoeconomical strategic goods) to be efficient on the global market and strengthen their own position in international relations. Croatia must embark on a geo-strategical expansion by utilizing its competitive advantage which is its territorial placement that has not been adequately valorized. This, of course, requires political ambition with a clear vision.

2. In its geo-economical position, Hungary wants to become a regional leader in producing energy. The fact remains that MOL's business expansions are entirely backed by the official Hungarian state politics as well as the Hungarian ethnic minority living in Europe, Israel and the US. We can deduce that Hungary is adequately utilizing its geo-economical position within the EU. In supporting MOL Group and working closely with the Russian Federation in upgrading the Paks Nuclear Plant, Hungary is close to reaching its goals in a fairly short time span.

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