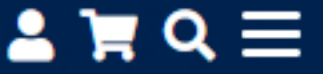


# BUDAPEST BUSINESS JOURNAL

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Top Stories



✍ KESTER EDDY

🕒 TUESDAY, NOV 5, 2019, 12:19

## Croatia vs Hernadi Dispute Brings all Sides Into Disrepute

Issues

### BUDAPEST BUSINESS JOURNAL



News towards the end of September that the European Court of Human Rights had ruled that a case brought by Zsolt Hernádi, the chairman-CEO of Hungarian energy company MOL against Croatia was “inadmissible” failed to create much media coverage.

Hernádi had argued that Croatia, by issuing European Arrest Warrants (EAW) against him, had violated his freedom of movement. The ECHR ruled that he had failed to claim the same violation at the Croatian court in the first instance, and it was thus unable to hear the case.

(A rather fundamental, if expensive, legal mistake not unusual in the region, according to Jurij Toplak, a visiting professor at Fordham University School of Law in New York. “Attorneys in Eastern European democracies are not yet well versed in European law. If submissions at domestic courts are not well prepared, it is too late to claim a violation of human rights only later at the European court level,” he told the Budapest Business Journal.)

It is understandable that for hard-pressed editors, the ECHR ruling appeared rather technical and of limited importance. But it is a reminder of a seemingly intractable corporate dispute that has dragged on for nearly a decade, to the detriment of all but the lawyers paid to argue the case.

At the turn of the Millennium, MOL was on a high. The Hungarian oil and gas company felt that having turned itself from a communist-era energy conglomerate into a lean, efficient operation, it was well placed to replicate the transformation with its peers across the region. MOL acquired Slovnaft, in Slovakia, in 2000, and bought a 25% stake in Ina in 2003, later expanding that to 47%.

But in the economic crisis of 2008-09, Ina was struggling to pay salaries and in deep financial trouble. MOL stepped forward with a lifebelt loan, but at a price: MOL was to have management rights, despite holding only a minority stake.

According to MOL leadership, the reasons for Ina’s financial woes then became clearer. The Croatian company had been offering super sweet-deals to favored clients.

“We cut a lot of suppliers and sales contracts. A lot of people were hurt,” György Mosonyi, then chairman of the MOL supervisory board, told this correspondent in 2014.

### Backlash

A backlash soon followed. Croatia said the deal on management rights was void because MOL had achieved this by bribing Ivo Sanader, the country’s prime minister at the time of the deal, to the tune of EUR 10 million. As a result, the Zagreb authorities asked Hungary for documents relating to the case and for the transfer of Hernádi to Croatia for questioning.

Hungary refused, instead conducting its own case into the affair, finding Hernádi innocent.

Croatia retaliated in 2013 by issuing an EAW against Hernádi, thus effectively preventing the MOL chairman from travelling abroad, a situation valid to this day.

The Croatian government has announced plans to buy MOL’s stake in Ina, though it has yet to reveal a concrete offer.

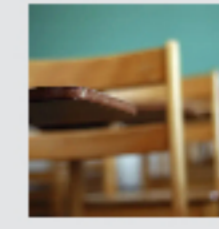
While each side battles for justice, this sorry tale puts both Croatia and Hungary in a bad light.

Both sides have sought to use legal chicanery to buttress their respective case. Neither neighbor, it seems, trusts the judicial system of the other, despite both being members of the European Union. It damages MOL’s reputation, and thereby its share price, and it has impeded MOL’s investment plans for Ina, thus throttling economic developments in Croatia.

Seen from afar by investors, it is a dispute that brings all involved into disrepute: the sooner it is fixed, the better.

*The Bottom Line is a monthly column written by Kester Eddy, a long-standing and well respected Budapest-based business and economic journalist, who has written for the Financial Times and many regional publications. The opinions expressed in the column are not necessarily those of the Budapest Business Journal. To comment on this column, or on anything else in the BBJ, email the editor at robin.marshall@bbj.hu*

## POLLS



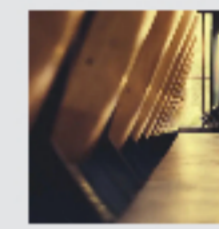
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JUN 15, 2023, 10:30

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APR 4, 2023, 11:50