Crisis management

HOW MUCH CAN THE BAJNAI GOVERNMENT DO?

A frustrated optimist

LES NEMETHY ABOUT HUNGARY, 20 YEARS AFTER

Push-button purchases

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Dear Members and Friends

It is needless to say that we have carefully followed the political developments of the country in recent weeks. As members of the new government know, our mission and our work will be a joint effort to look for cooperation opportunities that will benefit the country in the long run. We strive to further support much-needed structural reforms and measures that can rebuild investors’ trust and confidence, which is a fundamental precondition to improve Hungary’s competitiveness.

I would like to emphasize the significance of the fact that an active member of our Board has been appointed to a key position in the new government. We believe that Péter Oszkó as the new Minister of Finance will represent our long-held view that the government should decrease the operational, administrative, and tax burdens on businesses, and thus improve the regional position and support the general business environment in this country. Having had the privilege to work with Péter in the past ensures us that his expertise and dedication will bring added value to his new role. We wish him success in his new position and look forward to an ongoing and rewarding cooperation.

I am happy to inform you that we have made a significant step in April to widen and deepen AmCham’s presence in the countryside. We have appointed László Ábrahám, a distinguished member of the AmCham community and General Manager of National Instruments, to represent the chamber in Debrecen and in Eastern Hungary. I met the local leaders, the Deputy Mayor of Debrecen, and I can say that we have a common interest in working together, as they were very open to cooperate with AmCham. By establishing our first regional office, I hope more will follow based on mutual interest and a wide cooperation with the local chamber of commerce, decision makers, and representatives of ITDH and similar organizations. I am confident that László Ábrahám will be an excellent resource to widen our reach and deepen our cooperation at a regional level.

Crisis management and the formation of a new government made it rather difficult to carry on with the usual business processes in recent months. In respect to this, AmCham Hungary, together with AmCham EU, is busy organizing a conference that precedes the European parliamentary elections. We would like to create a forum where party leaders, parliamentary party group heads and their EP candidates can express their opinions and discuss Hungary’s future within the EU in the next five years. I look forward to an open and constructive dialogue and hope to see you there.

Best regards,
Gusztáv Bienerth
THE MANDATE OF THIS GOVERNMENT is to solve some of the most urgent problems and keep the budget target. “Its main task is to take all these very painful steps needed to stabilize the situation,” says Palócz. The financial situation of the country is still unstable and vulnerable, she emphasizes. So in the interest of companies and of individual consumers, the government must take care that the exchange rate of the forint stays below 300 to the euro, and that there will be a solution for the government debt and the financing requirements of the economy, currently covered by the IMF/EU loan, before the autumn. “Image is crucial here; the government must be seen to manage the problems,” she says.

In Palócz’s view, it is not important whether the Bajnai government is legitimate, or whether it will survive until the autumn or maybe even until spring 2010. “It is no use deliberating whether something else would be better or not. This is the political situation we have, and we have to deal with it,” she says. And if the Bajnai government does its work well, she adds, it will be easier for the next, and probably conservative, government to take care of further consolidation and to introduce more medium-term and long-term reforms. “If the most painful things have already been done, then the new government can implement reforms in a much smoother way,” Palócz says.

Her main worry at the moment is that the Bajnai government is not sticking to the short-term tasks it is supposed to deal with, but is now also coming up with elements of long-term reform proposals (the pension system, education, the taxation structure, local government). “This is not the mandate of this government, nor does it fit the time frame. Besides, it is irrelevant what kind of long-term plans they develop, because the new government will do what it wants anyway. So this government would be wise to concentrate on short-term tasks,” she says.

IMPROVISED AND INCOHERENT

ON THE OTHER HAND, Csaba, is much more skeptical about the positive impact of the Bajnai government’s measures. If anything, this government should solve some of the short-term problems, he contends. “But what you see is that some measures go into the right direction and some others are not; it is a mixture of all kinds of improvised and incoherent ideas.” Inevitably, he says, many of these measures are also influential for the medium- and long-term, without a real consensus and a long-term view on what structural reforms should look like.

“This government is, above all, a waste of time,” Csaba says. “What we need is an anchor, and in my view that is not just a...
new government, but a new government with a clear mandate to consolidate the economy,” According to Csaba, that situation can only come about with new elections. Technically speaking, the Bajnai government may be legitimate, he says, but it is a fact that it lacks broad support in society, and that is a sure recipe for trouble: for demonstrations, strikes, and maybe even violence.

In his view, main opposition-party Fidesz can provide such a stable government. “I’m not here to sell the nonexistent program from the opposition,” he says with a wry smile. “They have only come up with very general statements, and I have no idea what they actually want. But while the populist rhetoric is big, in practice, the party tends to be rather tough on the fiscal front.” According to him, besides the populist trend in Fidesz, which promises everything to everybody, there is also an entrepreneurial wing which wants a realistic economic policy. Also, there are indications that the Fidesz leadership sees there is no longer any room for populist policies, but more public pressure is needed to push Fidesz to come up with a realistic alternative program, he says.

NO REASON TO PANIC

CSABA AGREES that the current crisis is, to a very large extent, the result of the international economic slowdown, so there is very little any Hungarian government can actually do to turn this crisis around. “I don’t think we can do that much to convince Germans to buy Hungarian goods. That is why I do not believe that much in Keynesian policies. But it is not so much about figures, it is about restoring confidence of the markets.” And anyway, he says, most economists seem to agree that recovery in the world economy will start in 2010, so this isn’t going to be a long and seemingly endless depression like in the 1930s, and there is no reason to panic.

Both Csaba and Palócz agree that the budget deficit goal of 3% could and might be loosened under the present circumstances. “I don’t think this 3% is carved in stone,” Csaba says. “Look what happens in other EU countries. Whether it is 2.5%, or 3.5%, or even 4.5% is not really the issue. I’m pretty sure that the IMF will be willing to compromise on this,” Palócz concurs. Of course, there is the danger that if the 3% target is loosened, the government will loosen its budget discipline again, as was always the case under previous governments, she says. “But I have some optimism that Péter Oszkó, the new minister of finance, will not allow this.”

The economic experts also point out that there seem to be conflicting trends with FDI. “Inward FDI will be lower, no doubt, but the Hungarian economy didn’t lose its attractiveness. You see some investors closing down, but you also see investors coming,” says Palócz. There are no hard figures, Csaba adds, but there is a reason that foreign investors do not massively reallocate farther east or close down. “Overall, this is still a good place to be for an investor.”

THE BAJNAI PROGRAM

The Bajnai program is based on the assumption that Hungary’s economy will contract by 5.5–6% this year. It sets four main tasks: short-term crisis management, the stabilization of the financial system, economic growth stimulus, and the restoration of confidence. The introduction of the euro is seen as a medium-term goal. The government foresees consumers spending up to 8% less year on year, investments declining by 10%, and exports dropping 12% to 14%. Inflation is expected to stay under 4.5%.

The main points of the program are:

• a wage freeze in civil service in 2009 – 2010
• the elimination of 13th-month salary in civil service
• the reorganization of regional and local government
• the elimination of the 13th-month pension
• an accelerated increase in the retirement age
• a freeze in family support for two years
• a cut in sickness benefit to 60% from 70%
• a reduction in child support for two years
• the phasing out of gas subsidies in two years
• a VAT increase to 25% from 20%, a lower rate of 18% for selected goods (milk, bread, heating)
• a 5%-point reduction in employers’ payroll tax
• the elimination of the health care contribution for SMEs
• an increase in the personal income tax band, a 15% tax rate for lower incomes up to Ft 5 million a year (was 17%), and a 33% rate above that (was 35%)
• the accelerated introduction of a progressive property tax
• the simplification of company tax, with a company tax rate of 19% (currently at 20%)
THANKSGIVING Day 1991 would prove to be a crucial day in the life of Canadian-born Nemethy, as he returned to Hungary that day, and it was also the day he met his future wife. At the time, the mood in Hungary was entirely different than today. “One of the reasons I wanted to stay here was the euphoric feeling in the country. People really felt they were in a historical transition period which would bring them a better life,” says Nemethy, who today is managing director of a financial advisory firm, Euro-Phoenix.

NOSTALGIC

IN NEMETHY’S OPINION, the better life people hoped for materialized for a majority of the population. Compared to the beginning of the ’90s, Hungary has changed tremendously, he says. “The physical change is obvious. People drive better cars, and they have better clothes. Crumbling buildings have been restored. You don’t have to wait ten years for a phone line or a car, and shops are better stocked. People have the freedom to travel. Life changed, but the euphoria disappeared and at present, Hungary seems to have lost its way.”

Growing polarization in society remains a concern, according to Nemethy. While during the Kádár era incomes were spread rather evenly, there is nowadays a huge gap between the rich and the poor; a considerable part of the population still feels nostalgic about the Kádár era. “People now romanticize that period for being more secure and stable – nobody went hungry, nobody was jobless – but they have already forgotten the bad sides of the system, like the lack of personal liberty.”

In the early ’90s, Hungary was by far the trailblazer in the region, he says. “The first post-communist government implemented some extremely courageous reforms. I really was impressed by the audacity of the Antal government when it decided to put the vast majority of state enterprises up for privatization. They realized

People have forgotten the bad sides of the Kádár system.
that would lead to huge job losses, but they trusted that the market would be able to absorb those laid off from privatized enterprises. This in fact did occur.” That courage transformed the former socialist country into the most competitive country in the region. Hungary became a really “sexy” place to invest, Nemethy recalls. “One can compare it a bit with investing in the Internet at the time of the bubble: every multinational wanted to take part. Comecon and the former Soviet Union had just fallen apart; Hungary was the bridge to the region. For many companies, it was an important strategic decision to invest here.”

the legacy

no longer so, Nemethy observes. “At present, the Hungarian market is too small a market to matter in itself, and due to lack of reforms, we have lost our regional leadership role. Hungary scores in the bottom half for most economic indicators in the region. I attribute that largely to a lack of political will to implement the necessary reforms. We have become just another place somewhere in the center of Europe where some 10 million people live. We could have kept our regional leadership role if we would have succeeded in retaining our competitiveness, but we didn’t.” According to him, the problem is that reform stopped after the privatization of state companies. No government has dared take the necessary steps to transform the public sector (number of municipalities, tax laws, educational, health and pension systems), and those reform attempts that were made, were either halfhearted or unsuccessful. The application of reform has been so poorly carried out by such a weak government apparatus, that by now the very word “reform” has developed very negative connotations in the public ear, so much so that future governments will have great difficulty to do what is necessary, Nemethy says.

“The lack of transparency has grown, not diminished as one would have expected after Hungary’s accession to the EU. Lack of transparency is prevalent from the national level to the municipal level. One would have expected that the privatization of the economy would have resulted in the diminution of corruption, but procurement and regulation – the thousands of decisions and approvals required by bureaucrats – have provided a fertile breeding ground for corruption. Corruption is also prevalent in strictly private sector contexts, where there is no government interface.”

Taxation is another field where Hungary has lost its competitiveness, he adds. In the ’90s, Hungary’s tax system was rather attractive and a huge draw for many companies. “But today, the tax burden has become so huge that many companies decided to reorganize their finances in such a way that they legally generate the least possible turnover in Hungary.” Especially payroll-related taxes have become prohibitive, he says. “A Ft 400,000 after-tax salary costs a company well over a million forints, including taxes and social securities. That is a level comparable to the Scandinavian countries. But of course, the benefits that Hungary provides its citizens and corporations are far poorer than those in Scandinavia.”

It is a bad deal for everybody, Nemethy says, adding that the previous government missed an opportunity when it decided to lower VAT a couple of years ago instead of cutting payroll taxes. But the origin of the problem goes back to the Antal government, he says: “I remember having a discussion with government officials back then about the need to introduce a tax system in which people would pay less taxes, but be more strictly enforced – spreading the burden more evenly over the whole population. At the time, that was not

START SUBTITLING

Language skills in Hungary are far below potential, Nemethy says. “There are two possibilities in today’s globalized world: a country or an individual may be a beneficiary or a victim of globalization, and it is clear that those without language skills will be victims. Hungary lags behind other countries in the region. Even those who have finished university often revert to ‘Hunglish’, which may be fatal for more sophisticated international negotiations or tenders.”

The educational system bears its responsibility, with its poor training of language teachers. “But I also think the Hungarian television plays an important role. People seldom hear English on Hungarian TV. I notice that in all those countries where television is subtitled, like Romania and Serbia, language skills are much better. Subtitles are perhaps one of the best ways to learn a language. While the Hungarian dubbing industry is undoubtedly one of the best in the world, it leaves large parts of society linguistically handicapped.”
considered acceptable; as a result we still have a system where less than 2 million people have to carry the burden for 8 million others.”

WHISKEY ROBBER

ALTHOUGH HUNGARIANS COMPLAIN about corruption and lack of transparency, there is also some truth in the saying that every country gets the government it deserves, says Nemethy. He points out that people seem to see corruption as inevitable. “They tell you it is normal and point to other countries with comparable problems, like Italy. But change has to start with people demanding transparency from government. Politicians will not change until the voters give this issue priority.

“A bad heritage of the Kádár era is the Hungarian culture of entitlement. People feel it is the state’s responsibility to make sure they have a good life. For example, there are apparently hundreds of thousands of people who claim disability pensions who do not have serious disabilities. That is a form of corruption too. During the Kádár era, it was almost seen as a patriotic deed to cheat the system, but now that we have democratically elected governments, we are cheating none other than ourselves. The fact that a criminal like the ‘Whiskey Robber’ could become a national hero tells something about today’s society and its values.”

The last two election campaigns rather strengthened that national feeling of entitlement, as the main political parties outbid each other with promises, instead of preparing people for difficult times ahead. As a result, Hungarians are not at all prepared for reforms. “I think Hungary needs a fresh political view. It needs a courageous person like Margaret Thatcher, someone who dares to be open about the painful decisions that have to be taken, who has the intellectual vigor and moral authority to drive through the program, and who knows how to present them in such a way that people are willing to accept them. In the same way that Argentina moved from being one of the wealthiest countries of the developing world in 1945 to one of the poorest today, the price of political drift and indecision is that things will only become more difficult. It is the future generations who will have to pay the price for bad governance today.”

AN INTERNATIONAL FIGURE

Although born in Canada in 1957, Les Nemethy had a truly international childhood. He went to 13 schools on four continents before going to university in Toronto. After university, he first joined a law firm, then switched to investment banking.

In 1992 Nemethy became head of the transactions department of the Hungarian privatization agency (AVU). As such, he was involved in the privatization of Hungary’s telecommunications and the gas distribution network. He also led the initial public offerings of Danubius and Pick on the Budapest Stock Exchange and headed the negotiations with large investors like Alcoa, Marriott, and Heinz. Between ’93 and ’97 he worked with the World Bank in Washington. Dealing with privatizations in 23 countries. After his return in Hungary in 1997, he became CEO of the Vivendi Telecom group, before founding his own company Euro-Phoenix, one of the largest financial advisory firms in Hungary, in 2000.

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Why did your company choose Hungary, what are the country's comparative advantages from your point of view?

Citi Shared Service Center (CSSC) started its operation in the second half of 2005. Hungary was and remains an attractive market for Shared Service Center type of operations since we have very good professionals with strong language skills and work ethics, and besides, the flexibility of the labor market and the advanced infrastructure are also significant contributors to our strengths. Needless to say that these factors need to be combined with a competitive cost structure what we also found appropriate in this country.

What is the size and scope of your operation currently and what are the main functions hosted in the Hungary based SSC?

CSSC is currently employing close to 450 staff and is still in a growing phase. We operate as a captive unit here, in other words we provide internal services to other Citi entities in the EMEA region and globally. We act as a cost center; our primary goal is to increase the efficiency of the managed processes with focusing on the quality of service.

The beginning of our journey on the Hungarian shared service center market started in 2005 when we established the first IT support function in our Budapest based CSSC entity. Learning from the experiences and the great feedback we received from our internal clients our regional seniors made a decision to extend our portfolio with some finance-related functions as well in 2006. In 2007, we opened a third function that provides internal Business Services support, it is our transactional processing arm. In 2008, two high-profile, value added functions were launched as well, namely Decision Management and Collection Strategy support. This underlines the fact that Hungary is not considered only as a low cost location, but a country where there is enough “brainpower” available for engineering or analytical support functions as well.

How do you see now running the operation of your company here, what is your experience?

Our CSSC organization in Budapest has an outstanding track record and gained great reputation within Citi with exceeding our clients’ expectations. In the life of any service center this is the real and ultimate measure what you can build on. We have a fantastic team in Hungary, highly talented and committed individuals and this is the key to our success in the future as well. On the other hand a service center can bring value for the business only if it delivers quality service and when it delivers it in an economically beneficial way. Finding the right resource and skill set on the market has never been an issue for us, but we need to keep the balance in terms of the cost of our operation.

“CSSC is currently employing close to 450 staff and is still in a growing phase.”
As I mentioned earlier, so far we have overachieved our targets in these areas, so our goal now is to maintain this momentum and be consistent in delivering the same in the future.

**Do you network up with other SSCs in the country?**

Yes, I believe that Hungary is one of the few countries where the SSC community is very advanced. In order to strengthen the communication between the players of the Hungarian SSC market we decided to organize regular meetings with the participation of key players of the industry. These events give a great opportunity for SSC leaders to meet with each other, discuss the presented case studies with specialists and share the experience with each other with regards to any operational issue. We have realized it quickly that we are not competing with each other in terms of processes or tools in use, but can learn from other SSCs in these aspects in order to really identify and apply the best practices.

Majority of the SSCs are also members of the Hungarian Outsourcing Association (HOA) which is a professional organization that promotes and supports all the opportunities in the area of Service Industry and Outsourcing. With using its effective lobby capabilities we channel our feedback and recommendations to the various government offices in terms of business environment and regulations.

**How do you see the future of SSC sector in Hungary?**

In the past three years a lot has changed in the country and even more on the SSC market both in Hungary and globally. The traditionally leading service center hubs, such as India have further strengthened their positions and still target for the mass centralizations, outsourcing or offshoring. However, countries that participated in the first and second wave of offshoring are now facing downsizing and repositioning themselves on the market. Learning from this experience we also need to be prepared for this change, be ahead of the market and position Hungary with focusing on its strengths and key differentiators, such as highly educated workforce, EU membership, multilingual capabilities and developed infrastructure.

The SSC industry is a labor intensive market; our major investment is in people. Majority of our costs are therefore also associated with the people we employ, so high overall employment cost or increasing wage inflation are something what can cause severe issues for all SSCs in Hungary.

The cost of employment is very high in Hungary what naturally has a negative effect on our competitive advantage. This is something what we can compensate with higher productivity but in the long run we need to find other ways as well to overcome this issue.

The competition is also increasing for the talent in the country as new SSCs are coming to the Hungarian market and approach those resources who gained relevant experience with other SSCs. Despite this factor our attrition rate in Citi is still very healthy, but I know that it causes headache for other market players and can be a challenge in the near future for all of us. Our SSC community however understands the risk behind and work together to address this issue with establishing new education channels that can provide a fresh pool of qualified resources for us.

With understanding and addressing the challenges ahead of us I believe that Hungary still has a huge growth potential on the SSC market, the question to me is mainly how effective the country can be in utilizing this potential.
Tamás Lónyai demonstrates how mobile-payment technology works. A board member at mobile-payment company Első Mobilfizetés Elszámoló (EME), Lónyai picks up his iPhone and accesses a simple application on it to show how to pay a parking fee in Hungary. "There is software on your phone to make your life much easier," he says. “So I go to the parking menu and I choose where – Budapest – and hit OK. I select the start and stop times, I punch it in, and that’s it.”

Parking fee payment is one of EME’s most popular "m-payment" services. The company has 60,000 registered users, but on March 2, it introduced a new ad hoc mobile parking service, which Lónyai believes could rapidly expand their business. “The fundamental difference between the standard EME account and the ad hoc one is that for the former, you need to open an account and sign an agreement, while ad hoc is open for 8.5 million mobile phone users – the entire user base of T-Mobile and Pannon, and the regular subscribers of Vodafone. If you are a regular customer or prepaid customer of any of these three mobile operators, then without any previous registration or account opening or prepaid balance, you can use it, and you will receive charges on your regular monthly phone bill. Our experience shows that if you lower the barrier of entry, it will radically increase your customer base.”

Significant chunk

Mobile payments are made with the use of a mobile phone (or other mobile device) in order to directly pay for goods or services, to transfer money between bank accounts, or to authorize payments. Accounting and advisory firm KPMG in Central and Eastern Europe has recently released a comprehensive survey of how the technology is being used in the region, titled “Mobile Payments in Central and Eastern Europe”, which concludes that m-payments have vast growth potential.

According to KPMG’s Piotr Halka, most people in the region are using the technology to pay for things like parking or transportation services. “There is an increasing number of cashless transactions in the region, and the important factor is that mobile penetration in the markets of our region is well above 100%, and mobile phones have become commonly used personal devices,” he says. The value of the global m-payments market is set to reach 300 billion transactions by 2013, possibly reaching revenues of $860 billion, according to Informa Telecoms & Media forecasts. Halka believes that CEE could make up a significant chunk of those revenues.

Extra forints

M-payments are still in something of a nascent stage, including in Hungary, but still, EME is doing well with mobile payments for parking and for the purchase of highway toll stickers, Lónyai reports. “This is a transaction business, so we are in the business of nickels and dimes. We make some forints on every transaction, so
we are interested in growing the number of transactions as much as possible. So far it’s been going well – we’ve reached approximately 35% of people who park using mobile to pay for parking.”

He contends that mobile-payment users value their comfort more than cost efficiency. “They are willing to pay some extra forints for comfort. I think they understand that this is a premium service. Of course you have the right to pay with coins and do it the regular way, but then you need to make sure you have enough coins on you.” Also, with m-payments customers pay for the exact amount of time they park, while with conventional payments, paying too little can mean a fine, so people actually often overpay. “At the end of the day, I do believe that you save money as well as the hassle by using mobile payment for parking,” Lónyai says.

LACK OF COOPERATION

AT PRESENT, the technology’s growth in CEE is being hampered by a lack of cooperation among the numerous players, according to KPMG’s Halka. “The business model includes players who can have slightly different roles in a particular initiative: banks or other financial institutions like credit card companies, telecom operators, or independent service providers, who very often build platforms for cooperation and lead many initiatives related to m-payments in our region. Merchants who run the points of sale where m-payments are implemented are also very important players in this chain. It is very important to develop close cooperation of all these interested parties,” says Halka.

Last year in Hungary, FHB Bank and two major mobile operators launched a mobile payment service with the goal to create bank account support for payments, both for small and larger transactions, says FHB Deputy CEO László Harmati. “Although current availability of our service is limited, it is constantly growing, and we are optimistic, because our technology is the one that can provide full-fledged service not only in business-to-consumer, but also in business-to-business, consumer-to-consumer, and person-to-person relations.”

Harmati explains that FHB’s service for Hungary’s T-Mobile and Pannon mobile phone companies has meant that their customer base potentially comprises the mobile phone providers’ 8 million subscribers. “We can provide not only the basic banking structure, but also the knowledge which was lacking for mobile payments. We wanted to provide customers and merchants with the infrastructure, which is not only for merchant payment but also for peer-to-peer transactions, so they could be used as a full-fledged service in banking transactions, as well. Unifying these provides high added-value for clients.”

FHB has also concluded m-payment agreements with some well-known brands in Hungary like Libri Bookstores and fee-collector Díjbeszedő, Harmati says. “Our goal is to make it part of the everyday shopping routine,” he says. “Despite the limited scope of the current available selection, the customer base prefers the comfort factor of mobile payments to postal check payment, because you don’t have to go to the post office to pay the bill.”

CHICKEN AND EGG

ACCORDING TO HARMATI, FHB’s goal is to make the utilization scope of m-payments wider than that of the credit card. He says m-payment technology has advantages over paying with a credit card, especially via the Internet. “There’s a higher security level, as there is some uncertainty with Internet payments. That’s why card payment via Internet has decelerated in Hungary and around the world. M-payments are much more secure. You can verify transactions in real time, and you don’t have to give sensitive information to the merchants.”

Still, Halka says that m-payments are running into a chicken-and-egg problem. “To develop the mobile payments market, there must be many merchants who will implement this method to make it attractive for customers. On the other hand, customers will not be very interested in this payment method if they cannot use it at many points of sale. So, it’s a dilemma.” According to Harmati, that’s exactly what FHB’s approach to mobile payments potentially addresses. “We want to create a merchant pool whose services will be the anchor for the clients, and that’s why we don’t have a big presence on billboards saying ‘subscribe to mobile payment,’ because we need to establish the technological and contractual base, and then we can begin marketing it for individual clients.”

Meanwhile, Lónyai says the number one barrier to the technology’s development is the mind-set of Hungarians towards it. “There are many things to consider in how to move forward, but for us it’s really kind of a mission to educate people to use mobile payment, get them to do the first transaction and have at least one experience of using it and being satisfied. That’s the first big barrier of entry.”
To stay or go?

EXPATS WEIGH HUNGARY’S ECONOMIC OPPORTUNITIES

After living in Budapest for about a year and a half, expat Brenda North was just beginning to feel settled in with the city and with her new friends, and was excited for the next half of her stay. However, those plans quickly changed when her husband – who was transferred to Hungary to work for a television factory – learned his current job was being cut, and he was being sent home to Holland because of the crisis.

LEAVING HUNGARY

Even though she would have preferred to have stayed longer in Hungary, overall, North is relieved that her husband found new work immediately. Compared with other people who “have to go to a different country or are afraid of losing their job,” she knows she is in a fortunate position. Further, she understood that her family was “very expensive” for the company to support in Budapest, as it paid for relocation costs and to send her four children to the American International School of Budapest, as is the case for many foreigners who are transferred to a new country.

For North’s friends who are still staying in Budapest, “there is a lot of uncertainty,” she says. “A lot of people are feeling like, ‘yeah, we are staying here, but we don’t know for how long.’ You are unsure what’s going to happen. A lot of people are thinking about it but are not sure if they will go or they will not go this summer.”

In line with North’s experience, there are two main relocation trends in Hungary, says Elaine Sedgwick, business development manager for relocation company Interdean Hungary. First, she has seen many foreigners returning home, whether it’s people going with an established job or leaving because of lack of opportunities in Hungary. “Even though the number of people arriving in Hungary has decreased, Interdean still has a lot of business due to people leaving Hungary, but we do have concerns about the volume of business in six months or so,” she says.
The other trend is companies are still sending international employees to Hungary, but are limiting their budgets, Sedgwick says. For instance, they may not cover the school costs for their employees’ children, language courses, or spousal career placement assistance. Overall, her company has seen a 5–10% drop in relocating foreigners compared with two years ago.

Another relocation expert, János Prihoda, general manager of Inter Relocation Group, has noticed foreign companies, especially German ones, calling their employees back. However, there is still incoming business to Hungary. “Our clients from the automotive industry and clients in some kind of production have been the ones that were leaving Hungary because of the crisis, but the call centers keep growing like crazy. It keeps equaling out,” Prihoda says. It is still a time for caution though, as “nobody knows what is going to happen, so everyone is playing it safe.”

STAYING FLEXIBLE

SOME PEOPLE WHO have decided to stay in Hungary through the crisis have had to adapt to the shifting economic climate, like Susan Jeffries and her husband. After getting burnt out as business owners in Toronto, Canada, they decided to uproot to Budapest for three months and “see what happens,” she recalls. “Before we knew it, we’d bought an apartment. And at that point we had three different businesses we were going to pursue,” Jeffries says. However, their entrepreneurial plans were not recession-proof, especially since real estate investment was their top priority. “We wanted to spend at least five years here, but the real estate market has come to a crashing halt,” she says.

The couple’s other ideas included exporting furniture from this region to North America and exporting antiques and fine art to Canada. “We moved here in September. In October the economy collapsed, so since then, we’ve been looking at trying to take the skill sets that we have and see how we can apply them over here,” Jeffries says. Now they are looking into utilizing her husband’s marketing background and launching into medical tourism or translation services. All of these are just ideas now, Jeffries says, but she is waiting to see what economic events transpire and how long they will stay. It is the lifestyle that keeps Jeffries and her husband here, “who just fell in love with the city.”

MORE THAN THE CRISIS

A TREND OF fleeing foreigners is difficult to prove using the American International School’s numbers, a school which educates many expats’ children. “Our annual turnover is 23–25% anyway, so it will be difficult to read anything into departing students,” says school director Ray Holliday-Bersegeay. It’s too soon to tell whether next year will have a reduced enrollment as a result of the crisis, since the registration period for next year has barely begun. However, this year, there haven’t been any immediate departures and enrollment numbers have held steady. Also, the school has built their budget conservatively next year and has not increased their fees, Holliday-Bersegeay adds.

While the relocation representatives have observed expats leaving, it could be attributed to many causes and not only the crisis. Since American Jim Helgott arrived in Hungary eight years ago – originally to work for HBO – he has seen the number of expats, particularly American ones, decrease dramatically. “It’s been a steady stream for the last three to four years,” Helgott says.

The current economy might magnify this issue, but it’s been going on for a while, he says. This is in part because some companies are moving their operations to Eastern Europe where there is a lower operational cost. “If you’re looking at finding a country with a lower cost base in which to operate, Hungary was that country back in 2001. I don’t think that’s the case so much today,” he says. Furthermore, Helgott observes that some employers who are sending foreign staff home could be responding to the company’s natural evolution, rather than a result of the crisis. Expats often come in to train a local person and leave once the trainee can take over the responsibility, he says.

When Helgott was setting up his broadband consulting company, Sand Cherry Associates, where he serves as the European managing director, he weighed the options of doing business in Hungary, specifically the drawbacks of working within the complex tax structure. “I don’t know if ultimately staying or leaving is the issue, but I think the ultimate issue is the impact of running a business here.” In the end, he decided on staying in Budapest because he and his wife were already happily settled. “Since the day we got here, we’ve enjoyed living in Hungary,” Helgott said. He enjoys the balance of the lifestyle here and the location. “The best part of living in Hungary is getting to other places fast and conveniently. It’s a great hub.”
Hungary is considering introducing cash incentives to car owners to upgrade cars ten years or older. The measure, which was already introduced in many EU countries earlier in the year, is meant to be a stimulus to the ailing car industry, and at the same time, benefit the environment. Similar regulations in Germany and Slovakia are certainly benefiting Magyar Suzuki in Esztergom and General Motors in Szentgotthárd.

In the measures considered in Hungary, car owners would get a Ft 300,000 benefit on their personal income tax if they scrap a car older than ten years and buy a new one which emits less than 140 grams CO₂ per km. The dealer selling the new car would also have to give the buyer a Ft 300,000 discount, so the total benefit comes to Ft 600,000 (€2,000), more or less in line with other European countries. The Hungarian economy ministry is looking into how much such a system would cost the budget and will come up with a proposal to the government. Together with the auto industry, the ministry “has been working on such regulation for some months,” but things were delayed because of the change of government, says Viktória Ruska, Magyar Suzuki spokeswoman.

Although the effect of such measures on car sales in Hungary itself is hard to determine beforehand and might be limited, Suzuki officials are very much in favor of them. “We definitely have the feeling that these scrapping rules do help us, especially the German regulation, but the Slovakian also,” says Ruska. “We have seen our export growing slightly over the first few months of the year, so we can keep our production at the 850-cars-a-day level, 95% of which is exported.” It means that, in spite of the crisis in the car industry worldwide, Suzuki didn’t have to resort to measures such as introducing a shorter working week or shutting down production temporarily, as other car producers in Hungary were forced to do.

For example, Audi Hungaria shut down car production and cut back engine production at its plant in Győr in the days before and during the Easter holiday, and workers affected by the measures were put on paid leave. Earlier, Audi Hungaria announced temporary halts and cutbacks in production over the Christmas holiday as well as in the first week of February.

And while General Motors Powertrain-Hungary had to introduce a four-day workweek in engine production at its Szentgotthárd plant from the middle of April, it could partly switch back to a five-day workweek already at the end of the month thanks to a big rise in engine orders, especially for Opel Corsa and Insignia models from Germany, local daily Vas Népe reported.

Germany and Slovakia

Various car-scraping regulations are in place since the beginning of the year in a number of EU countries, with benefits for
car owners ranging from between €1,000 and €2,500. The expected stimulus ranges from 20,000 to 30,000 cars in smaller countries like Portugal, Austria, or Greece, to 220,000 to 400,000 cars in countries like France or Italy, and even up to 2 million in Germany. There, the introduction early in the year led to no less than a 22% increase in month-on-month sales in February compared with the same month last year, the highest level in ten years. The German government originally allocated a budget of €1.5 million, which allows for about 600,000 incentives to be handed out, but raised this to €5 million at the beginning of April, enough for scrapping 2 million cars. According to Matthias Wissmann, president of German automotive association VDA, that released the sales figures, strong sales will continue. “We expect that in the first quarter as a whole, domestic sales will be above the previous year’s level,” he said. At the same time, the number of German cars exported overseas fell by 51%.

It was above all the sale of small cars in Germany that went up, while brands like Mercedes-Benz and BMW still experienced a sharp decline in demand. According to the German motor vehicles department, KBA, sales of microcars more than doubled in March, while deliveries of small cars advanced 75%. Small car producer Fiat saw its sales in Germany more than triple, as did Alfa Romeo and Suzuki. This boost for small cars sales also explains why Suzuki Hungary and GM benefit from the measures, while Audi does not.

The Slovakian government introduced similar regulation on March 9 to assist its ailing car industry, which is home to three large automaking plants run by Kia, Volkswagen, and PSA Peugeot Citroen, which together produced about 676,000 units last year. Another goal was to rejuvenate Slovakia’s obsolete passenger-car fleet. As elsewhere, the bonus has been hugely popular among the general public, and within three weeks the €33.2 million assigned for the scheme was spent, which prompted the government to allocate another €22.1 million on April 1, which was fully spent in another two weeks. All in all, the measure supported the purchase of some 40,000 new cars in the country, Economy Minister Ljubomír Jahnátek said to SITA newswire.

**PROS AND CONS**

According to proponents, the scheme benefits the car industry, the environment (as older cars are generally worse polluters), and the tax office. The economy ministry in Slovakia calculated that by March 25, when the first scrapping wave ended, Slovakian citizens had bought 10,266 vehicles worth €92,062 million, representing a value-added tax revenue of €17.15 million. The subsidy for purchase of these cars totaled €15.35 million, and the difference between the VAT collected and the subsidy provided was €1.8 million, to the benefit of the state.

But some economists and analysts are much less enthusiastic. It is “an unsystematic measure which in the end will harm Slovakia’s economy as a whole,” said the head of the Institute of Economic and Social Studies (INESS), Richard Djurana to *The Slovak Spectator*. “During a crisis, with uncertainty and growing unemployment, the most sensible behavior for people is to cut costs and save. By launching the scrapping bonus, the government is motivating people to do the opposite – people are spending their savings and, according to estimates, about one-third of those who have bought a new car have even taken out a loan [to do so].” He also said the measure would not achieve the goal of supporting the local automotive industry. “Only 11% of the cars sold to people who used the scrapping bonus were produced in Slovakia,” said Djurana, with especially Renaulst and Škodas – produced elsewhere – dominating sales.

Other critics of the schemes allege that instead of boosting economic demand, it merely redistributes it, as consumers spend money on cars that they would otherwise have spent on other items. “Now people are buying more cars, but fewer sofas or flat-screen televisions,” Wolfgang Franz, head of the German government’s independent panel of economic advisers, told ZDF television.

In Slovakia, the second scrapping wave also causes problems to authorized scrapping companies. Scrap yards have been overwhelmed with old vehicles and still need months to handle the workload of the first wave, local media report. What is worse, scrapping firms face losses of €50 to €80 per vehicle because of the low scrap prices on the world market, and those wanting to buy a new car now have to wait two months as all cars eligible for the bonus have sold out.
From recipient to donor

“Development aid is a completely new thing for us. Most people don’t even realize that Hungary is spending money on international aid and if they know, they don’t really understand why,” says László Várkonyi, state secretary for international aid. But spending on international development is not only in Hungary’s general interest, it can also make business sense.

LEAD

EDUCATION needs education, Várkonyi says. “We need to make clear that international aid is not just in the interest of the receivers, but of the donors as well. It is an important tool in the fight against problems like illegal immigration, drug trafficking, or climate change; matters which touch our personal lives. But it is difficult to explain why Hungary contributes to building a hospital in Afghanistan, when we have to close hospitals here at home. So, there is a constant pressure on our budget and we spend a lot of time raising awareness, for instance through lectures at universities.”

LITTLE AWARENESS

THE ISSUE IS so new to Hungary that there is no ministry and there are no laws governing development aid, and the awareness of Hungarian political parties about it is not much stronger than that of the population at large. “You have to realize that until a couple of years ago, Hungary was a recipient in terms of international aid, not a benefactor,” Várkonyi says. “Only with EU membership we became a donor. Like other new members, we pledged that in 2010 we would spend 0.17% of our gross national income (GNI) on international aid.”

That is considerably less than the 0.7% target the United Nations (UN) has set, but the truth of the matter is that very few countries in the world come even close to that objective. In 2007, the only countries to exceed the target of 0.7% of GNI were Denmark, Luxembourg, the Netherlands, Norway, and Sweden. That same year the world’s 22 most important donor countries spent an average 0.28% of their GNI on aid.

But for Hungary, even the 0.17% target is still unfeasible, says Várkonyi. “In the first few years of our EU membership, we managed to spend 0.1%. Because of our budget problems, that figure has gone down and last year we spent 0.07%. Of course, the present world crisis only makes things more difficult. We always have to put up a hard fight in Parliament to retain our budget.” Obviously, diminishing spending on international aid is not just a Hungarian problem. Despite an appeal from the UN to richer countries that the poorest in the world should not be the ones to suffer from the crisis, aid budgets are dropping the world over.

LITTLE CAPACITY

MOST OF Hungary’s Ft 20 billion aid budget is spent in a multilateral way, that is via Hungary’s contributions to EU and UN organizations involved in development projects. Only some Ft 800 million goes to bilateral, direct aid from Hungary to a receiving country. The reason is that Hungary has only limited capacity to handle projects. “In contrast to Western Europe, we have few NGOs which are capable of working in an international project,” Várkonyi says.

The limited amount of money available is spread over projects in 16 countries, most of them close to home, like Macedonia,
Serbia, Moldavia, Albania, and Montenegro. But there are also projects in countries like Ethiopia, Vietnam, and Iraq, but because Hungary takes part in the international peace force in Afghanistan, that country is currently by far the biggest receiver of Hungarian bilateral aid.

Experienced donor countries tend to concentrate their efforts on a relatively small number of countries and projects. “But as we are completely new in this field, we decided to become active in a large number of countries and work with a large number of partners to gain as much experience as possible,” says Várkonyi. “But we concentrate on those fields where we feel we can really contribute, like democratic transition or water management, subjects in which Hungary is rather experienced.”

**COMMERCIAL BENEFIT**

As elsewhere, there is pressure in Hungary as well to connect development aid more directly to the interests of Hungarian companies. There are some companies involved in projects, for example in Ethiopia where Hungary helped build an irrigation project. “Since then, the company involved has been asked by the Ethiopian government to construct other irrigation projects on a commercial basis,” says Várkonyi. But this is still one of the few occasions where Hungarian companies benefited directly from Hungary’s development program, he says.

“Of course, there is a lot of EU money going to development projects in which Hungarian companies and NGOs could take part. The problem is that we simply don’t have enough experience to win the tenders for such assignments, so in general, Western European companies get those orders. I think it would be good if the EU would show a bit more flexibility towards newcomers in this respect.”

Várkonyi comments. On the other hand, very few Hungarian companies see international aid as an opportunity, and as a part of their market strategy or their social corporate responsibility. While many international companies support development aid projects or even have projects of their own, oil and gas company MOL – which helped rebuild a school in Pakistan after the last earthquake – is one of the few Hungarian companies to do so.

**HUNGARIAN IN VIETNAM**

A growing number of Hungarian companies discover the Third World as a place to do business and as an alternative to the Western European market, says Péter Behringer, sales director of Ahead Indochina, a company that promotes business relations of Hungary with Vietnam, Cambodia, and Laos. Although Hungarians are newcomers in the region, they have an advantage on their Western competitors, Behringer says: “Under communism, Hungary invited thousands of students of befriended Third World countries. As a result, there are some 3,000 Vietnamese who speak Hungarian. That makes it easy for us to do business.”

No Hungarian company in Vietnam has become directly involved in a local aid project yet, as far as Behringer knows, but many of them did become members of Ahead Global, an NGO that aims to get small and medium enterprises involved in Third World problems. Ahead Global finances small projects in countries like Vietnam and Madagascar, where it for instance built a village school. The money came from the members, all Hungarian SMEs and private persons.
Charles Simonyi, the Hungarian-born American computer guru and now famed space tourist, was back in the city of his birth last month. The first private individual to undertake a second space mission with his blastoff to the International Space Station on March 26, Simonyi touched back down on Earth on April 8. He spent Easter with his family in the US before flying to Budapest for his first public appearance after the trip, giving a press conference together with his wife.

AS SIMONYI PUTS IT: “When I saw my first space lift-off I went weak at the knees.” That was some years ago, when on a trip as a tourist to Kazakhstan to see a launch. He had no inkling of going into space at the time. “I’d never thought about it. It’s really an unnatural thing. I got talking to the manager of Space Adventures, the company that promotes space tourism, who told me I could go into space. It took a long time, going through all the medical checks and training, and gradually I decided I really could go,” he said, in response to a journalist who had asked; “How on earth did you get into this space tourism thing?”

Intriguingly, in contrast to any ‘action man’ or ‘thrusting leader’ image that many might associate with pioneers of both fast-growth IT companies and space travel, the 60-year-old comes across as almost diffident, sometimes unsure, humble, and certainly respectful of other people’s feelings. “It’s a good question,” he reassured the journalist after the media pack greeted the inquiry with guffaws of somewhat intimidating laughter.

Indeed, he plays down any “brave tough guy” association with space travel. “Space travel is not an extreme sport or anything like that. You don’t have to be especially brave. Provided you are well-prepared, it’s not dangerous,” he says. Nonetheless, an astronaut has to be made “of the right stuff” (he used the English term when otherwise speaking Hungarian), and stressed that leadership in both business and space meant “never ceasing to believe in your dream, your vision.”

SECOND TIME UP

SECOND TIME UP – he wanted to do more experiments and further the cause of everyday space travel by taking and publicizing another trip – he says there were few surprises. “The main difference is, because you are more accustomed to conditions, you can do more. I was able to undertake more complex experiments and communicate more to radio hams [amateur radio operators … ed] and via the Internet,” he said. Despite his earlier experience however, the speed of the spacecraft was still awesome. “You are over Australia and you have to complete an experiment by the time you pass above Seattle, but that might be only ten or 15 minutes. The velocity is just amazing,” he said.
One other major difference was the recovery time after the trip. “Rehabilitation this time took just two days after 13 days in orbit, compared to five last time. The rule of thumb is one day’s rehab for every two in space, you get all kinds of weakness,” he said. Simonyi brushed aside stories of disputes between the American and Russian astronauts on the missions, including use of toilets. “It’s common usage. I’m an American, but as I was a guest of the Russians, then the Russian operating rules apply if and when there are any differences between rules. But I can assure you it’s one team, six people working as one team,” he said.

THE RIGHT STUFF

SIMONYI, WHO grew up on Rózsadomb, in Budapest’s leafy second district, left Hungary in 1966 to ultimately find fame – at least in the IT world – and fortune in the US with groundbreaking work on the now ubiquitous Microsoft Word and Excel software. He left Microsoft in 2002 to found his own company, International Software, though he is still on good terms with Bill Gates, who attended Simonyi’s marriage to Lisa Persdotter in Sweden last year. But after two flights costing around $55 million in total, due to family commitments, Simonyi’s space trips are now a thing of the past. “My wife asked me to stop because, really, the preparations take so much time and you are away from the family so much; it’s hard on them,” he said.

And Mrs. Simonyi, was she frightened by the whole thing? “Sure, I was worried. I don’t understand all the details, but knowing Charles is not someone to take any big risks, if he is calm and cool about it, then I’m OK,” she said, adding that she now wants to take a trip to Antarctica and prepare their Seattle home for a family. So is she “made of the right stuff”? “Oh yeah, she is for sure, I can tell you; she’s about to become a helicopter pilot,” said Simonyi.

OUR WORLD – YOUR MOVE

It was rather lost amidst the media fascination with space travel minutiae, along with a certain interest in Lisa Persdotter, Simonyi’s charming young wife, but the ostensive reason for the couple’s public appearance in Budapest was to promote a new drive by the International Federation of Red Cross and Red Crescent Societies (IFRC) to alleviate suffering and create a better world.

The IFRC launched a new website (www.ourworld-yourmove.org) to attract ordinary people, and particularly the young and web-savvy, to sharing ideas and solutions on what is wrong with the world and how solutions can be found. Although the site was officially launched on May 8, it was up and running in April and appeared to be attracting thousands of hits. “The portal … demonstrates to visitors that by engaging in a cause and by making a move, everyone has the power to restore hope and order to a troubled world,” the IFRC says in its explanation of the project.

Simonyi said that he supported the initiative “because my good friend, George Habsburg [president of the Red Cross in Hungary] has asked me to. It is a well-respected organization and it’s an honor to help.” His presence certainly attracted the Hungarian media. “I’ve never seen so many press people in our building,” one local Red Cross worker commented as an aside. But despite being asked to comment and inquire about the initiative, the media remained fixated with Mr. and Mrs. Simonyi and produced not one question on Our World - Your Move.

Still, the Hungarian media carried the message, says Margarita Plotnikova, communication manager, for IFRC Europe. “We know that he also undertook a lot of volunteering work in space, including carrying the Red Cross flags. I was told that anything over 1.5 kg of personal luggage costs $90,000 per kg to take up and bring back. Yet he carried three Red Cross flags on the trip; that has meaning. Directly or indirectly, Charles is a powerful voice for the movement and an inspiration for volunteerism on the entire planet,” Plotnikova said.
Lviv, in western Ukraine, sees itself as very much a European city. With a historical inner-quarter on the UNESCO World Heritage Site list, a population of 850,000, a host of university and educational establishments, and a location just 60 km from the Polish border, Lviv’s leaders believe it is well-placed to attract inward investment, tourists, and to cohost the 2012 European nations’ soccer championship. But despite these attributes, along with a palpable mood of cautious optimism, even city officials admit Lviv faces daunting challenges ahead.

ON THE APPROACH to Lviv airport from the south, if the sun is shining, passengers can spot the gleaming, golden roof of a restored orthodox church. A kilometer or so beyond is the site of a somewhat larger, more modern temple – the sprawling earthworks and foundations for the city’s new, 30,000-seat soccer stadium being built to host matches for Euro 2012, the European nations’ soccer competition. At least, that is the hope.

Minutes later, on the tarmac, the visitor is greeted by the airport terminal, a carefully maintained, classical building adorned with socialist-realist statues. Inside there are no departure boards, no loudspeaker announcements, nor even fancy cafés offering coffee and snacks at airport prices. It is, as one web critique wrote, “pretty basic, but it works.” Or, at least it does for now, handling a handful of flights each day. Outside, the problems become more readily apparent, as the taxi – with three lengthy cracks and a sizeable chip in the windshield – navigates the potholed road and the erratic traffic flow into the city. On either side of the six km drive, the vistas comprise a hodgepodge mix of residential, commercial, and industrial sites – some well-tended, others decrepit; there is not much in between.

SOCIAL RENEWAL

MUCH OF THIS, or at least the rougher parts, is set to change, insists Andriy Sadovvy, mayor of Lviv. “Before 1940, Lviv was an attractive, once Austro-Hungarian city, but 50 years of Soviet occupation destroyed much, even the soul,” he says in English, emphasizing the term ‘occupation’.

But “step by step” the council is working to rebuild both the city and its society. “We don’t have any oligarchs here. Western Ukraine has a democratic tradition, a different mentality [from the east]. In my opinion, Lviv is the only city that can be the driver for the social renewal of Ukraine,” he says. The soccer championships are an important, but not critical, driver in Lviv’s development plans, council officials stress in a media presentation. “Even before

The city’s aspirations are not just pie in the sky.
‘Euro 2012’, we were thinking about how many hotels were needed. Both scenarios supported the creation of over 1,500 new rooms,” says Ivan Loun, the council’s adviser on hotel development.

Nonetheless, to host even three group games, the city has its work cut out. UEFA, the Union of European Football Associations, alone demands 2,335 five- and four-star hotel rooms for players and officials. The city claims it can already fulfill 70% of these needs and has contracts in place that will more than fulfill demand. But UEFA does not insist on any specific number or quality of hotel rooms for fans, many of whom are expected to lodge in surrounding towns, notably the spa resort of Truskavec, 90 km to the southwest.

Then there’s the infrastructure; the airport, currently undergoing a runway extension, is due a new €85 million terminal designed to boost capacity from the current 250 to 1,800 passengers per hour. The city insists that massive road, bus, and tram renovation projects along with new building schemes will provide fans and ordinary citizens alike with good transport connections.

And the city’s aspirations are not just pie in the sky, according to the Monitor Group, a US-based global consultancy whose recent study has identified tourism and business services as key areas for development. “There’s no doubt that Lviv is rich in human resource potential, has a strong entrepreneurial spirit, and has already attracted numerous international investment projects,” says Miron Derchansky, Monitor project manager in Ukraine. Yet, as his group’s report admits, despite the pros, “several underlying issues” make some formidable cons – including corruption, “nontransparent tax procedures,” and lack of both long-term planning and adequate infrastructure.

In truth, such is the centralized structure of government in Ukraine, that the city has neither the power nor resources to solve many of these issues alone. Even the mayor himself admits, “You can drink the water, but I wouldn’t.” But whatever the hurdles facing Lviv, Lars Vestbjerg, a Danish footwear maker who first came to the city in 2003, insists things are progressing. “When I first came, it took two years to get the necessary permits to set up a plant, because I would not pay bribes. Now it can be done cleanly. And people speak English; that was a rarity back then,” he says.

ENTREPRENEUR CELEBRATES HISTORY

“They’ve written about our restaurants in Europe, in Russia, in America, even in Mozambique. Do you think the name of Lviv has ever been mentioned before in Mozambique?” Yurko Nazaruk asks with eyebrows raised. Nazaruk, a graduate in international relations and still only 28, opened his first restaurant just 18 months ago. Kryjivka – or Shelter – lies behind an unmarked door on Lviv’s central square. Designed to pay homage to the Ukraine Insurgent Army which fought both the Wehrmacht and Red Army for independence from 1942-1950, access is granted only by shouting the password – “Slava Ukraini!” (“Glory to Ukraine!”) – to a uniformed doorman toting an authentic 1940’s Soviet submachine gun. “I bought the guns; I have the certificates to say they are safe,” Nazaruk says.

Downstairs business is thriving amidst a heady mixture of more weaponry, partisan songs, uniformed waitresses, fading photos, and military paraphernalia. “This project is not just a restaurant, it’s an education center. The UPA fought for their country, but we could never talk about them until after independence. Even now the government does not recognize them. People only know the Russian propaganda; they don’t know about the real partisans,” he says. Kryjivka has proved a hit from day one, with 650,000 customers in its first year of existence, a European record, Nazaruk claims. And despite its historical anti-Moscow theme, Russians and Russian-speaking Ukrainians are made welcome and enjoy the experience, he insists.

“We welcome Russians. They sit with Poles and sing together. Poor people come from the villages, bringing their own bread. We’ve had many ministers too, and the wife of the president with her children, but not Yulia [Tymoshenko, Ukraine’s prime minister].” In rapid-fire procession, Nazaruk’s team have since opened nine other uniquely themed restaurants in town, including one dedicated to Leopold von Sacher-Masoch, the supposed father of masochism. “You know Masoch, who was born in Lviv, was an educated writer, not a masochist at all; it’s a myth,” Nazaruk reveals. Nonetheless, his café presents local guests with the “ultimate pain” – a continuous broadcast of Parliament in Kiev. “People offer to pay us to stop it, but we say no, this is what you are here for, genuine masochism!” he says.
We have adopted a lot of EU legislation, but we are not an equal part of the entire European process yet, even though Hungarian business is slowly getting more involved in influencing and shaping EU regulation, Herczog says. “I also have good contacts with the headquarters of multinational companies active in Hungary. But Hungarian businesses are often not involved, while there is also a gap between the headquarters of international companies and their branches in Hungary.”

These branches often seem to have no idea that their headquarters are in close contact with a Hungarian MEP, she says, nor do many Hungarian businesses always seem to have a grasp of what is happening within the EU and what kind of legislation and regulation is in the making. As a result, she says, “many businesses are not anticipating emerging or changing EU regulation, which can mean that they plan certain investments and only find out later that they have to make adaptations and changes.” Most framework legislation at EU level is decided upon in and by Parliament, so it would be very important for businesses to be in close touch with Parliament as well, and not only with the European Commission, she adds.

Herczog was one of the few Central European MEPs who five years ago decided to take part in EU bodies dealing with business issues. “Most of them chose far more sexy committees dealing with politics and the transfer of EU subsidies,” she says. “For example, I as the only one from a new-member state in the services directory committee, while there were four MEPs from France alone.”

**DIMINISHING INTEREST**

In June 2009, 375 million Europeans will be able to vote to elect 736 parliamentarians (MEPs) from 27 member states. Hungary will vote on June 7 and will have 22 representatives in the new Parliament.

The powers of the European Parliament have steadily increased over the decades. It shares legislative power with the EU Council – composed of 27 national ministers – and also has budgetary and supervisory powers. The EPs work is especially apparent in fields like environmental care, services (forcing mobile phone companies to lower their tariffs for international roaming is an example), infrastructural projects, consumer rights, equal opportunities, and human rights both in the EU and abroad. Many laws enacted in Hungary nowadays are a transposition of European acts voted by MEPs, and they also have their say about EU money coming to the country. If and when the Lisbon Treaty will be a reality, MEPs’ decision-making powers over EU affairs will once again increase, and Parliament will be on an equal footing as a lawmaker with the Council in virtually all areas of EU policy.

Still, according to a Eurobarometer poll published in March, only 34% of EU citizens say they will vote in the upcoming elections, less than the record low of 46% in 2004. Belgians topped the list with 70% (but Belgium has compulsory voting), 27% of Hungarians in the survey said they would, while Poles were at the bottom with just 13%. Voter turnout at EP elections has declined steadily after the first elections in 1979, when it topped at 62%. Turnout in 2004 was lowest in the ten new, mainly Eastern European, member states, when 38.5% of Hungarians went to the polls.
The old-new government

The new government of Gordon Bajnai, which he consistently calls the “crisis-management government,” has received approval from Parliament in the middle of April. This act under public law has established the eighth government of the democratic era after the political changes in the ‘80s.

There probably was no other new prime minister and “new” government in the past 20 years that has had to carry so much on its shoulders as the Bajnai government. There is hardly more than a year left in the current election term, and the officials not only have to master the financial economic crisis deriving from the global economic downturn, but they must also stabilize the Hungarian budget, the position of all stakeholders in the real economy, and the micro- and macrocommunities of society. All the while, it will have to retain the unconditional support of the parliamentary majority, based on the factions of MSzP and SzDSz. Moreover, this government should also remedy the confidence deficit of social forces and markets that has been growing over the last three to four years. It is no easy task, almost impossible even, especially in light of the austerity measures included in the already-introduced reforms (e.g. elimination of the 13th-month pension).

It is a fundamental problem that, contrary to original promises, the new government did not turn out to be a government of experts. On the contrary: it is typically in line with the criteria of political governance (i.e. it is the successor of the previous government also in the political sense). Even if there are members of the government that come from the business sector (e.g. finance minister Péter Oszkó), the majority of the government is composed of the old strongmen of MSzP (e.g. Péter Kiss, Imre Szekeres) and the confidants of Ferenc Gyurcsány (e.g. Csaba Molnár, Ádám Ficsor). A cabinet of this composition can of course correspond to the expectations of the market, as the massive party politics background may strengthen the quick and efficient crisis management activity of the parliamentary work.

But it is less suitable to restore credibility, especially in a party politics environment where Fidesz, as the most important organization of the opposition, blames the new government of not being legitimate. Fidesz claims that Bajnai, as a leading member of the Gyurcsány government, actively contributed to the deepening of the economic crisis, and they urge that early elections be called as soon as possible. Nevertheless, it is a disconcerting sign that Fidesz still hasn’t published a crisis-management program, described at least in broad terms, which could give guidance and reassurance to the markets and the citizens, while also proving the ability of the party to govern.

Another negative situation for the new government is that internal controversies within the two parties that are de facto governing have strengthened. These controversies are in respect to Gyurcsány’s departure, the establishment of the new government, its composition, and its program. The leadership of MSzP could maintain internal unity only by temporarily entrusting the leadership of the party to a management team (Idikó Lendvai, Imre Szekeres, Péter Kiss), and it has practically left the door open for Gyurcsány to return, too. SzDSz also seems to have been able to rearrange itself, but the controversy between leaders Gábor Fodor and János Kóka remains lurking in the background.

So this constellation is very fragile, even though the establishment of the new cabinet has significantly increased the chance for the government to stay in office until parliamentary elections next spring. But of course, the EP elections might bring about a fundamental reshuffle in the political field in the middle of June, again.
At its own peril

THE EU CAN’T IGNORE EASTERN EUROPE

The glow of the G-20 summit and some less-than-awful economic data have brought some faint signs of optimism to Europe. But in the European Union’s Eastern member-states, the risk of economic turmoil and political backlash is still tangible. Unless the Europeans address the threat with appropriate financial measures and resist any protectionist urge, trouble in the East could delay the recovery of all of Europe.

ON APRIL 6 it emerged that the International Monetary Fund would advise Central and Eastern European countries to adopt the euro, unilaterally and without meeting the EU’s strict criteria for the single currency, if necessary. This recommendation – in a leaked report written in March – served as a stark reminder that some of the EU’s newer member-states are still in trouble. Most Eastern European economies are in deep recession. Their export markets in the West are collapsing. Their banks – mostly owned by big Western European ones – are vulnerable as borrowers and businesses struggle to repay their loans. Since many of these loans were taken out in euros and Swiss francs, the devaluations of Eastern European currencies have significantly increased the risk of default.

Quick euro adoption would insulate countries against further devaluations and therefore also reduce chances of banking failures. Economically, the euro would be a great safe haven for the small Baltic countries, which are already fixing their currencies to the euro, but not for the likes of Hungary or Poland where flexible exchange rates may be needed to restore export competitiveness. In any case, unilateral adoption of the euro is a political no-go because the existing euro zone members and the European Central Bank are categorically against it. They fear that the inclusion of poorer and unstable-looking economies could undermine the stability of the single currency at a time when there are already growing doubts about the sustainability of the euro zone.

FINANCIAL HELP

EVEN WITHOUT A FAST-TRACK into the euro, there are lots of things that the EU is doing to help its newest members. According to IMF estimates, “emerging Europe” (including the Balkans and Turkey) must find almost $500 billion this year to roll over its external debt and finance its external deficits. At least a quarter of this will probably have to come from international lenders, such as the IMF and the EU. The EU has already raised its own emergency fund from €12 billion in 2008 to €50 billion ($66 billion) today. It has used some of this money to cofinance large loan packages for Hungary, Latvia and, more recently, Romania, under the auspices of the IMF. The European countries have also pledged a contribution of $100 billion to the tripling of the IMF’s resources that was agreed at the G-20 summit. They did so mainly with Central and Eastern Europe in mind.

When it comes to emergency funding, the EU is right to work through the IMF, not seeking to replace it. The European Commission (the EU’s executive body that

The risk of protectionism remains high, threatening the single market.
administers the emergency funds) does not have much experience with imposing the kind of economic conditionality that usually comes with large balance-of-payments loans.

**OPEN MARKETS**

**THE EUROPEANS NEED** to concentrate on other things, namely reducing risks in Eastern European banking sectors and keeping markets open. Two of the key ingredients to the phenomenal economic success of Central and Eastern Europe since the 1990s have been their integration into the EU single market and financial liberalization. Now this process of opening up seems to have left the Eastern European countries exceptionally vulnerable to the global downturn.

Since the early 1990s, the new members have thrown open their capital accounts, welcomed foreign companies and sold most of their local banks to finance houses from Austria, Belgium, Germany, Italy, and Sweden.

So far the new members have avoided big banking crises. But people in these countries are complaining that Western European banks are exacerbating their economic situation by cutting credit lines to their Eastern European subsidiaries. Some East Europeans worry that if a parent bank got into serious trouble, it could withdraw capital from its Eastern European subsidiaries to patch up holes at home; or that it might have to fire-sell these subsidiaries; or – if no buyer stepped forward – let them fail. Government demands that banks propped up by state money should “lend local” are as understandable as they are dangerous. The loans that Austrian banks have made in Eastern Europe account for approximately 70% of Austrian GDP by some measures. The shares are closer to 10% for countries such as Greece and Sweden, but that is still a risk to their banking sectors.

If an Eastern European subsidiary of a Western European bank went bust, the responsibility for the bailout would have to be shared. Western European countries did not prevent their banks from lending irresponsibly across borders while some Eastern European countries foolishly allowed people and businesses to binge on foreign currency loans. The EU is ideally suited to foster the kind of co-operation that is needed to plan for a cross-border banking bailout. Money from the existing IMF/EU emergency packages can be used to recapitalize banks in Eastern Europe. And the EU’s other lending institutions, such as the European Bank for Reconstruction and Development and the European Investment Bank, have put together a €26 billion package to help Eastern European banks and businesses.

**PAN-EUROPEAN SUPPLY CHAINS**

**IT IS EQUALLY IMPORTANT** that the richer Western European countries resist the temptation of protectionism. For many of the new member-states, exports account for 80–90% of GDP (for the US, the share is 12%). By far the biggest market for all of them is the euro zone, which is now in recession. Any signs of protectionism in Western Europe would make the situation in Central and Eastern Europe a lot worse. The new members have not only opened up to trade, they have become part of pan-European supply chains, especially in the automotive sector. Car production in this region doubled between 2000 and 2007, as western carmakers shifted manufacturing there. When global automotive demand collapsed, conveyor belts in Eastern Europe were idled. Many in Eastern Europe now question whether it was wise to get so deeply integrated in global markets over which they have no control. Doubts turned into outrage when Nicolas Sarkozy, the French president, suggested that French automakers could only expect state support if they relocated production from Eastern Europe back to France. President Sarkozy had to take back his demand and the European Commission has so far done a good job of defending the integrity of the EU’s single market. But as long as European governments plow billions of taxpayers’ money into helping local banks and businesses, the risk of protectionism remains high.

The early months of 2009 saw riots in Latvia, Lithuania, and Bulgaria. Governments in Latvia, Hungary, and the Czech Republic collapsed under accusations of mishandling the economic crisis. The risk of large-scale political unrest appears small, but there are stirrings of social discontent across the Eastern European region. The real risk is that the East Europeans – if left alone with their financial woes and faced with protectionism in some other EU countries – could start questioning their growth model of liberalization and market integration. If the EU mishandles the crisis in the East, this important region could emerge with its growth prospects impaired, its politicians euro-skeptic and its workers packing up to move west.

Katinka Barysch is deputy director of the Centre for European Reform. The article was also published at www.cer.org.uk and at YaleGlobal Online.
SERIOUS INVESTMENTS STILL ARRIVING

SOME 80% OF THE GERMAN INVESTORS in Hungary would invest in the country again despite being increasingly dissatisfied with high taxes and excessive bureaucracy, deputy chief of the German-Hungarian Chamber of Industry and Commerce, Elek Straub, said. The chamber’s latest business-trends report shows that on a list of investment destinations by German companies, Hungary is in seventh place out of 18 countries. Last year, Hungary stood in ninth place.

Meanwhile, Japan’s NEC Corporation announced the creation of NEC Eastern Europe with its headquarters in Budapest. The new company targets 15% revenue growth with a significant focus on the fast-developing Eastern European enterprise business with converged IT-network solutions. NEC already had a unit in Budapest, but it will be expanded via a Ft 303 million investment, creating 70 jobs. “Although we foresee that Eastern European economic growth is going to slow down due to the serious impact of the financial crisis, we also believe that demand for innovative services that include first-class communications and IT solutions remains strong,” said Toru Koishi, NEC Eastern Europe.

Also, Germany-based international automotive components supplier Continental AG is moving one of its production units from Spain to Hungary. The €5 million investment will not create new jobs, but will allow the company to retain existing ones at its Makó and Vác plants. Meanwhile, machinery maker Lakics is spending almost Ft 1.5 billion to build a new plant at its base in Kaposvár. The company won a Ft 600 million EU-development subsidy for the investment. The plant will create at least 100 workplaces. Lakics has outgrown its three bases in Dombóvár, Komló, and Sántos, and will move these activities to Kaposvár. And electronics manufacturing services company Flextronics will hire 100–200 workers in Zalaegerszeg, after signing a contract for a long-term project. The company is planning to hire 1,000 workers over the long term.

German cooling systems maker Güntner inaugurated a €13 million plant at its base in Tata, creating 170 jobs, while condiment-maker Univer Product opened a Ft 3 billion new plant in Kecskemét which will allow the company to make preservative-free mayonnaise, mustard, and ketchup and supply them to the Hungarian and Romania markets. Finally, Swiss rolling-stock maker Stadler Rail Group inaugurated a Ft 5 billion aluminum train body plant in Szolnok. Production will start with annual capacity of 60 carriage bodies, but it will increase to 200 bodies when another Ft 5 billion investment at the plant is finalized by the year-end. The plant will employ 200 people.

LAYOFFS

THE HUNGARIAN UNIT of US soft-drink maker Pepsi will lay off almost 200 employees, while steelmaker ISD Dunaferr will be forced to lay off about 300 workers. Meanwhile, US automotive industry supplier BorgWarner and car-parts and farm-machinery maker Linamar Hungary are introducing a shortened workweek in order to preserve jobs.

Hungary’s unemployment averaged 9.7% in the first three months of 2009, rising from 9.1% in the period between December 2008 and February 2009, the Central Statistical Office (KSH) said. The average number of unemployed was 402,800 in the 15–74 age group in the three-month period, up 25,100 from December–February, said KSH. The number of unemployed rose 70,200 in one year.

The number of job seekers has grown by around 100,000 in the past one year, with most of the rise occurring between October 2008 and March 2009, said Adrianna Soos, deputy head of the Employment and Social Office. Whereas the processing and construction industries used to be the most affected areas, the crisis now cuts across all sectors, she said. Also, the most developed regions have been the most affected ones, as these are the regions where many foreign companies operate. They reacted quickly to the drop in market demand, Soos said, while poor regions have not suffered from such high staff cuts.
SHAREHOLDERS AT AN ANNUAL general meeting of Hungarian oil and gas company MOL on April 23 approved proposals aimed at preventing a hostile takeover of the company. President and CEO Zsolt Hernádi said shareholders made the stealthy purchase of the company by an outsider more difficult. MOL is a strategic company that allows diversity in the region's energy supply, and it is important to prevent such a purchase, Hernádi said.

Earlier, Russian Energy Minister Sergei Shmatko said that Surgutneftegas is not planning a hostile takeover of MOL after buying a 21.2% stake from OMV. Shmatko denied media speculation that Surgutneftegas had bought the MOL package at a large premium (for €1.4 billion) on Kremlin orders to fight Hungary's plans to take part in the EU-backed Nabucco pipeline that should ease energy dependence on Russia. The project, which has stalled as it lacks enough gas to justify costly construction, is a rival to the Russian South Stream project, a new gas pipeline that will extend from Central Asia and the Caspian Sea to Southern Europe.

Welcome to Fulbright

THE FULBRIGHT PROGRAM – which was established by the US Congress in 1946 – is the world's largest and most prestigious scholarly exchange program. The program operates in around 150 countries worldwide. Since its inception over 60 years ago, approximately 300,000 Fulbrighters have participated in the program, including many leaders of states, prime ministers and ministers of foreign affairs, artists, ambassadors, professors, physicians, and CEOs. There are around 40 Nobel laureates among the former grantees, too.

The Hungarian-American Fulbright Commission was established in 1992. The Executive Agreement between the Governments of the US and the Republic of Hungary established the authority of the Commission to conduct a program of educational and cultural exchange between the two countries using funds made available by both governments, to organize regular, open, binationally planned and executed competitions for scholarship, to provide educational advising services, and to serve as a focal point for the organization of activities of the Fulbright Alumni Association.

Hungary is an active member of the Fulbright family. We are proud of the fact that there is a very high interest toward the program which is open to all fields of arts and sciences. There are grants for researchers, lecturers, and graduate students. Thanks to the support of the US Embassy in Budapest in our fund raising efforts, there will be some additional grant opportunities to Hungarian applicants in fields like energy management and security, technology, management and finance, sculpture or art history.

The deadline for Fulbright applications for the academic year 2010/2011 is May 15, 2009. More detailed information can be found at www.fulbright.hu or please contact the Fulbright Educational Advising Center (Budapest, 1082 Baross u. 62, Tel.: 462-8050, e-mail: info@fulbright.hu). You are welcome to be part of this life changing experience.
**CEE IN REVIEW**

**ROMANIA, MOLDOVA AND THE EU**

EU institutions are appalled by Romania’s proposal to offer Romanian citizenship for 1 million Moldovans, a project that can affect Romania’s position in the EU, EUobserver reports. The EU Czech Presidency warned Romania about the risks such a policy entails. EU officials, including EU Foreign Affairs Representative Javier Solana, believe that Romania’s plan is a political declaration before the presidential elections and will never be implemented. Still, Czech Foreign Affairs Minister Alexandr Vondra declared that he is seriously concerned about Romania’s policy towards the Republic of Moldova, which is seen as a sign that tensions between Romania and the EU are increasing. According to EU legislation, Romania can offer citizenship to whomever it pleases, irrespective of the number of citizens concerned. But the EU annually naturalizes more than 700,000 people, less than the number of Moldovans who are now offered Romanian citizenship. (HotNews.ro)

**POLAND: IMF CREDIT AND DEFICIT**

FINANCE MINISTER JAN VINCENT-ROSTOWSKI announced that Poland would ask the International Monetary Fund (IMF) for a flexible credit line of $20.5 billion as part of a lending program for countries with sound public finances. Poland wants to use the one-year credit line to protect the zloty from drastic fluctuations. Poland will be the second country, after Mexico, to reach for the IMF credit line. “This is a reflection of our cautious and responsible economic policies… [that] will protect the zloty against uncontrolled depreciation,” Rostowski said. The loan will increase Poland’s foreign reserves by more than a quarter. Investors generally saw the announcement as a positive.

At the same time, Poland also faces a public finance deficit of 4.6% of GDP in 2009, government advisor Michal Boni confirmed. “It’s a preliminary, estimated prognosis, sent to Eurostat,” Boni said. While planning the budget, Poland will have to rethink its approach to lowering the deficit in the years 2010-2012, now taking into account economic slowdown. A temporary increase in deficit should not be considered as a barrier for implementing Poland’s euro-adoption agenda. (Warsaw Voice)

**SOLUTION FOR MACEDONIA NAME DISPUTE?**

GREEK PRESIDENT Karolos Papoulias voiced hope for a quick settlement to the long-running name dispute between his country and neighboring Macedonia. “I hope we will soon be able to reach a mutually acceptable solution to the name issue under UN auspices,” the Greek leader wrote to the Macedonian President-elect Gjorge Ivanov, congratulating him on his April 5 election victory. The two countries have been quarreling about Macedonia’s name for more than 17 years. Greece insists on the name of Former Yugoslav Republic of Macedonia (FYROM) for its northern neighbor and refuses to join the list of more than 120 nations recognizing the Balkan country by its constitutional name, Republic of Macedonia, citing the potential for territorial claims on its own northern province of Macedonia. But recently, a Greek diplomat indicated that Athens would back the name “Republic of Northern Macedonia” that a UN mediator suggested last October. (SETimes)

**SOLAR POWER PLANT IN CROATIA**

CROATIA HAS PLANS to build the biggest solar power plant in Europe, in the Šibenik-Knin area in southern Dalmatia. The plant will cover 250 hectares of land and have a capacity of 60 megawatt, ten more than the first and until now major European solar-power plant in Spain. The plant will be built by Zagreb’s Nexus Private Equity Partners investment fund. It will cost around €80 million, and construction will take two years and employ 300 workers. Once finished, the plant will permanently employ almost 100 workers. (Croatian Times)
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Marketing the Mangalica

DEMAND SOARS FOR THIS PIGGY ON THE MARKET

The prosperity of the Mangalica pig is an unlikely success story. Salvaged by an agricultural engineer in the 1990s, this curly-haired hog has evolved from near extinction to gracing the most expensive plates in chic Western restaurants. As the heavy marbleized breed gains international notice, it is now a contender of being the eminent Magyar gastronomic symbol, putting the pressure on paprika and pálinka. And with its market growth in Asia and North America, the only thing hindering this pig’s full comeback is its small population. But nonetheless, “Mangalica is living his renaissance here in Hungary,” says András Mayer, technical leader at Hungapig, a pig breeding and research company.

THE PRIDE AND ENTHRALMENT Hungarians have for the Mangalica was especially evident during three pleasant days in February, when nearly 80,000 people arrived at Budapest’s Vajdahunyad Castle for the Mangalica Festival, according to Attila Véegh, organizer of the event with Variomobil. There, the pigs were showcased in all stages, from piglets barely the size of bricks, full-size pigs lounging in fresh hay, to the less-fortunate swine spinning on spits or being served in generous portions to eager guests. “It was a bit amazing or a bit shocking that really so many people were on the street and very interested in this,” Mayer says.

The fascination with the animal isn’t just limited to Hungary, as myriad international publications have recently written about the animal, including a prominent feature in The New York Times. These articles are piquing people’s interest in the food and driving up product demand. The popularity of telling the Mangalica’s story can be partially attributed to its uplifting nature, as “people need good news right now,” says Péter Tóth, the man responsible for saving the breed. Today, he is the director of Olmos és Tóth, a breeder and exporter of Mangalica that supplies Pick Szeged with its meat for salami. “The country is deep in crisis, and they need good news,” Tóth adds. “People buy not only the meat; they buy the whole story.”

MIGRATORY PATTERN

WHILE THE SLAUGHTER and feast of Mangalica is still a Hungarian tradition as it has been for generations, the meat’s market is now expanding beyond the pig’s native lands. Through Tóth’s company, the product is exported to Spain, where high-quality Monte Nevado (a company run by Tóth’s partner Juan Vicente Olmos Llorente) products are made. Without the Spanish market, the expensive pig is not economical to raise, since Hungarians usually only eat the pig for holidays, Tóth says. Thus, the export market supports the local market.

“Supplies are growing, but demand is growing faster.”
Beyond its European distribution, the Mangalica is now being bred in the U.S., thanks to Heath Putnam of Washington, who fell for the flavorful meat while living abroad. “When I ate the products in Austria, it was clear to me that it was absolutely incredible, and it seemed to me at the time that if I did not import the pigs to the Western hemisphere, I would really be missing out on a huge opportunity,” Putnam says. He imported 25 of the pigs in 2007, and now he has 100 sows in the US through his company Wooly Pigs. While he is the only American breeder, he sells neutered pigs throughout the US so many people can experience the product. He also distributes the meat to some of the finest restaurants, especially in Seattle and New York. Come summertime, there will be even more Mangalica available in US, as Tóth will start distributing there.

Additionally, the pig is making a mark on the Japanese market as a competitor to Kobe beef, since both provide the flavorful fatty meat that the market demands, Tóth says. The Hungarian Ministry of Agriculture is supporting this export, and Minister József Gráf has even traveled to Japan to promote it, according to Zoltán Harcz, the ministry’s cabinet chief. Selling meat in Japanese markets generates the present price increase in Mangalica, Harcz adds.

More than just a heartening story and a traditional food, as this pig’s production expands, it could be a boon to Hungary’s larger agricultural market and open the door for exportation of other Hungarian meat products, especially in Asia, he says.

To live up to these expectations of being an agricultural ambassador, the Mangalica is at a disadvantage because there just aren’t enough of them, so the growing consumer base will have to be patient. “I think the Mangalica will have a good future, but we need more animals,” Tóth says.

It is an expensive pig to raise – standard Mangalica meat is about 30% more expensive than prices of popular pork – because they usually only have two to eight piglets a year and they develop more slowly than modern breeds, Tóth explains. “It’s a disease-resistant pig, but it’s hard to get them to produce pigs,” Putnam adds. “Popular pigs have litters that are twice the size of Mangalica pigs.” However this scarcity should help keep prices high, Putnam says.

“Supplies are growing, but demand is growing faster. Right now it looks to me that the prices are probably going to stay very high for a couple of years,” Putnam says. “I really don’t think we can make enough in the next few years to have the price crash.”

The Mangalica pig is indigenous to the Carpathian Basin and reached its golden era in the 19th century and the first half of the 20th century, but the breed diminished after WWII when industrialized pig farms were emphasized. The animal, called Mangalitsa in Western spellings, was on the verge of extinction in the early 1990s, but an agricultural engineer, Péter Tóth, collected the few remaining animals in the region – only 198 – and started a development project to save the Mangalica. Later, he also established the National Association of Mangalica Breeders, where he still serves as president. Today, his pig population has grown to 10,000. “Very few people in the world can say ‘I saved an animal,'” Tóth says. “When I see the success, I feel good.”

A curious-looking animal, the Mangalica is characterized by its blond, red, or black wooly coat and heavy marbleized meat, which used to be used to fashion lard. Despite its fatty nature, it is often touted as a healthy meat, even though Tóth doesn’t market the pig on that trait. “It’s a good tasty meat, a sensory product. That’s part of wellness, is it not?” he says with a laugh. In truth, it does have 10–12% less cholesterol than typical pork, Tóth contends.

Today, there are about 25 local producers in Hungary who mainly raise Mangalica to meet the local demand, including Tóth’s company, Olmos és Tóth. According to Zoltán Harcz, Ministry of Agriculture and Rural Development cabinet chief, the preservation of the breed from the 19th century Austrian-Hungarian monarchy makes it “an emblem and a national symbol of our agriculture.”
András Török’s Budapest

EIGHT REASONS TO BUY OR EVEN SUBSCRIBE

THE HUNGARIAN QUARTERLY was first published in 1936, meant as a sort of counterbalance to the German orientation of Hungary. It survived until 1944. It was recreated as The New Hungarian Quarterly in 1960. In 1990, it retook its original name and redefined its mission as thus: an established international journal of the arts and society, providing an independent, lively, inside view on the economy, society, history, and culture of a country – and a region – in the throes of unprecedented change. The Hungarian Quarterly is published four times a year, 160 pages each, and is one of Central Europe’s best English-language publications according to the prestigious Irish Times. Here are seven more reasons to buy or even subscribe, based on the latest issue.

A GENERAL ONE
It is available at few newstands – subscribing makes sure you get all the issues, on time. If you are a serious student of Hungary, an expat, or a diplomat, you need it, and you need it regularly.

A PARTICULAR ONE
It is a very nice publication, fully subsidized by the foreign affairs and culture ministries. If the number of subscribers sinks under a limit, decisionmakers would think it is a waste of money and a tradition might die. You can’t help that, can you?

AN OLD ONE
It is a periodical of great tradition. Most of the publication was high-quality, even in communist times, except for the ideological writings in the first section. After 1990, it was edited for many years by Miklós Vajda, the last literary gentleman, now by Zsófia Zachár music- and literature-lover, former associate editor, and a brilliant socialite.

A NEW ONE
There is more and more visual material, photography, and fine art inside the publication, so it now can be used as a guide for collectors. Any artist ever included in the color section is worthy of collecting.

AN ECCENTRIC ONE
This spring issue reviews the 20th anniversary of the return to democracy and also the bicentenary of Joseph Haydn’s death. And there is a story published by the author Centauri, a mysterious writer who emerged in the last three years, but carefully disguises his (or her?) real identity.

A BIASED ONE
There is an article on one of the most original Hungarian photographers these days, Gábor Kerekes, and a dozen of his works are reproduced, some from his series “Over Roswell.” He converted satellite images to artwork, printed with 100-year-old techniques.

A SORRY ONE
The funniest of funny Irish immigrants and longtime language editor of The Hungarian Quarterly, Peter Doherty, died recently. There is a heartfelt obituary by Rudolf Fischer, his fellow editor and 20 years his senior.
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For futher information visit: www.poluspalace.hu
While this restaurant in Balatonszemes has quite a mysterious exterior, which resembles a country post office, the interior design is disappointing: cheap wood paneling, poor lighting, inconvenient booths with a table height designed for giants. But from the moment the menu is brought to the table, you can be sure that this place’s focus is on the food, and you are supposed to take it seriously.

The menu is divided – quite unconventionally – into two sections: the first one lists the specialties of the region, the second lists the classic dishes ranging from goulash soup in a kettle to beef stew prepared in red wine. I order à la carte, and my friend chooses “The tastes of our region” menu. For amuse-bouche we get smoked ox tongue with horseradish cream, but the starter doesn’t really impress us. Next, the dried deer inside round with quince jelly arrives as the starter of the menu. Both components are of high standard, but instead of deer with some jelly, we get jelly with some deer... The strong sweet flavor of the quince jelly is a little too much for an hors d’oeuvre; half of it is left on the plate whilst the deer disappears in no time.

The other starter, marinated pike perch served with orange-flavored sweet fennel salad, is a perfect choice. This Latin American-inspired, citrus-flavored raw fish salad, which has conquered the entire world during the “ceviche revolution,” has been successfully adapted by Kistücsök to match Hungarian tastes. This freshwater smoked fish provides a Russian twist, which makes the composition more exciting.

The sauerkraut cream soup is the climax of the dinner. Despite the fact that we are familiar with the flavors, the texture of the soup provides us with a pleasant surprise. It combines modernity with tradition and is very Hungarian, but meets international standards too. The other soup, a vegetable soup with steamed pike perch, is perhaps more problematic. The chef proves that he can handle the local fish masterly, and the vegetables are also well-prepared, but the juice is not tasty enough.

One of the main dishes is rabbit loin served with a layered composition of celery, spinach, apple, and hazelnuts. The rabbit is tasty though perhaps slightly dry. The entree’s vegetable pyramid topped with roasted nuts plays the main role. It complements the meat and offsets its deficiency, the dryness. The other main course is veal represented in three forms: sweetbread, kidneys, and chops. The latter is excellent, but the sweetbread is rubbery. The garnish is outstanding again; the chef is not afraid of using usually unpopular vegetables like brussels sprouts – they are fresh and crispy, convincing even for those who don’t usually like them.

The one dessert, “jam pockets,” is forgettable; the other dessert, lime chocolate mousse with coconut ice cream, is worse – it’s the weakest point of the dinner. The mousse is too heavy, there is hardly any lime in it, and the ice cream doesn’t have enough coconut in it.

Kistücsök would benefit from adhering to the characteristic flavors of the region rather than experimenting with exotic food. It is known as one of the leading restaurants in the South Transdanubian region and it is worth the excursion, but it needs to do something if it wants to be an internationally known restaurant, including redecorating the interior.

Dining Guide examines the quality and level of ingredients, technologies and creativity of the kitchen, ambiance, presentation, service, and the relation between enjoyability and price level, all according to professional standards. Based on these criteria, the restaurant is rated an average on a ten-point scale (see below left).
ENJOY A COLORFUL OVERVIEW of the greatest painters from Hungary’s history with these two exhibits currently on display in Budapest.

“THE ARTISTS’ HOUSE 1909-1914” EXHIBIT

EXACTLY ONE CENTURY AGO, Hungary’s avant-garde aesthetic scene was fostered by a new society called the Artists’ House, founded to showcase the blooming works of modern painters and other creative souls who thrived during Europe’s belle époque era. Here groundbreaking Magyar visionaries such as József Rippl-Rónai and János Vaszary could host exhibitions of their colorful canvases alongside Viennese Expressionists and French Impressionists. Now the astounding advances made in the Artists’ House in a mere five years are proudly on display again at the Hungarian National Gallery (Buda I, Royal Palace); see www.mng.hu for details.

“IN THE CURRENT OF IMPRESSIONISM” EXHIBIT

THE WORKS OF HUNGARY’S FINEST visual artists from 1830 to 1920 reflect the many groundbreaking stylistic advances sweeping through Europe during this era, often depicting seemingly placid scenery in ways that shattered the rigid barriers of academic art. “In the Current of Impressionism” showcases prodigious Magyar painters like Pál Szinyei Merse and Mihály Munkácsy, who captured the essence of movement with illuminated landscapes, along with featured students from the Nagybánya artist colony and other Hungarian masters of plein air works. Form your own impression at the Kogart House (Pest VI, Andrássy út 112); view www.kogart.hu for more info.

25TH INTERNATIONAL DIXIELAND FESTIVAL

FOR THE PAST QUARTER CENTURY, this festival rocks to the quintessentially American sound of Dixieland jazz in Salgótarján, a small town northeast of Budapest endowed with scenic hiking trails and castle ruins. The event’s extensive program features Chicago blues diva Karen Carroll with the Mississippi Grave Diggers, The Jive Aces (six swingin’ Brits evocative of the big-band era), and local acts like Hungary’s legendary Benkő Dixieland Band – go marching onto www.stjazz.hu for information.

NATIONAL GALLOP

FOR THIS GRAND OUTDOOR GALA, Andrássy Avenue and Heroes’ Square are converted into a racetrack for horsemen wearing classic Hungarian hussar uniforms, along with parades bursting with national pride as numerous countryside towns host pavilions showcasing their finest music, dance, and crafts, along with plentiful delicious regional delicacies, all served up in and around City Park (Pest XIV); check out www.vagta.hu to learn more.
IT Committee: A key to competitiveness

THE INFORMATION TECHNOLOGY COMMITTEE of AmCham, established in 1997, aims to provide business insights and develop recommendations in order to help increase Hungary's global competitiveness. It does so by preparing position papers and providing advocacy in IT-related issues and projects for decision-making entities in Hungary.

“Leaders of businesses and institutions in Hungary today confront an unwanted but unique opportunity to transform the way the country works,” says Péter Paál, president of the IT Committee and IBM Hungary country general manager. “It’s an opportunity Hungary must seize in order to increase its competitiveness, and I believe that information technology is the key to it.”

According to Paál, in 2009 the committee remains determined to direct attention from the Hungarian government and other industries to the fact that the very nature of IT has the capability to increase competitiveness. “It embodies a horizontal tool set for productivity growth, cost saving, flexibility for the economy, and it has a potential that must not be overlooked,” he says.

The committee intends to help the government in its efforts to build a National Digital Public Utility, he says, and continue supporting the e-government model. “However, in respect to the latter, some positive changes have happened in the last few years, but there is still a long way to go to reach the ultimate goal: a smaller and more efficient government administration that can serve the private, as well as the business sectors in a transparent and service-oriented way.”

Another focus of this year’s agenda is on the rising unemployment in Hungary. “A series of planned IT Committee meetings in close cooperation with the Labor and Education Council of the chamber includes discussions, workshops, and planning of ways and means how the IT industry can help create jobs in Hungary,” Paál adds.

Energy and Environment Committee: Better value for money

THE COMPETITIVENESS OF THE HUNGARIAN ECONOMY depends on energy efficiency, says Energy and Environment Committee Chair Dániel Antal. “The Hungarian economy needs 16% more energy to produce a single dollar of GDP than the European average, which is close to double the amount needed by European-competitiveness champions such as Denmark and Ireland. Hungary spends 14% of all export income from the world market to pay for energy imports.”

Furthermore, he says Hungarian enterprises face steeper rises in electricity and gas prices than their peers in most European countries, which can offset the potential costs savings of lower-wage costs. Also, “Hungary has used less than 10% of the available EU subsidies for energy conservation in the past year,” Antal says.

The Energy and Environment Committee brings together industrial consumers, energy traders, producers, and their technology suppliers, all of whom need to be more competitive. “Our mission,” explains Antal, “is to foster a constructive dialogue on the production, transmission, sale, and use of energy in order to promote the competitiveness of members and the Hungarian economy through energy efficiency. We believe that a more efficient use of energy as a result goes hand-in-hand with such environmental targets as reduced waste, pollution, and carbon emission.”

According to Antal, the committee’s aims for this year include providing a platform for an ongoing and pragmatic multiple-stakeholder dialogue among Hungarian AmCham members on the consumption, trade, transmission, production, and supplier sides. “We want to lobby for better use of available EU funds in Hungary,” Antal says. “We have started to work on a position brief on energy as a mainstay of Hungarian competitiveness and hope to provide a professional underpinning for the regional AmCham’s biggest-ever enterprise, the Regional Energy Forum.”
Labor and Education Council: Decreasing the skills gap

According to Council Chair Ferenc Báti, labor and education issues comprise one of the four main priority areas of AmCham (together with taxation, transparency, and membership). “Therefore, these issues have been elevated by the board to council level,” he says.

Báti continues that the council is planning to establish synergy and cooperation with major education-oriented chambers and civil organizations like the Hungarian Chamber of Commerce and Industry, the John von Neumann Computer Society, the Hungarian Standards Institution, the Hungarian Association of Content Industry, and the Hungarian Outsourcing Association. The council will continue to be engaged in an active dialogue with the Ministry of Social Affairs and Labor, participating in the review of new labor market regulations and representing the interests of the AmCham membership.

“We are already in the process of recruiting universities and research institutes to participate in the activities of the council. And using the results of last year’s survey and conference organized by the Labor and Education Committee, we are working to decrease the skills gap existing in the Hungarian labor market,” Báti explains.

He also reports that at their first meeting council members approved the following projects for the year: develop industry-oriented vocational training courses, decrease the higher education skill gap, emphasize and strengthen innovation, help to develop the supply chain (global-local), prepare amendments to the Code of Labor, support the AmCham Career School, and support English-language training at various levels of the public education system. “All AmCham members are welcome to join any of these projects,” he says, “so please contact me or the Council Coordinator László Metzing.”

Healthcare Committee: Health is wealth

The Healthcare Committee’s motto “Health is wealth”, reflects a critical issue in relation to the competitiveness of Hungary, according to Committee Chair Csaba Szokodi. “We must change the perception of decisionmakers that they see our sector not as a cost center, but as an investment in a benefit toward our future. Hungarian health indicators are extremely poor,” he exclaims. “A healthier population means higher labor productivity, fewer lost workdays, and, in general, a healthier population means a stronger economy.”

According to Szokodi, the committee would like to “relaunch” its position brief. “Our goal is to manage a permanent working relationship and facilitate communication between the health-care community and the government health authorities to identify critical issues and to provide recommendations for solutions,” he explains. “We have to highlight concerns and opportunities of health care in the scope of the ongoing worldwide financial crisis. We are going to reestablish the previously successful, high-level round table discussion with policy makers, with the facilitation of the US Embassy.”

Szokodi reports that his group will continue its successful Healthy Workplace Program (HWP), with a plan to tighten collaboration with the National Institute for Health Development (OEFI). “We are considering organizing a professional conference in cooperation with OEFI, to reinforce our HWP initiative. We also want to establish a swiftly reacting communication capability within our committee. The goal is to provide an immediate response on any significant health care related subject or issue which is in the scope of our member companies.”

The complexity of health care requires cooperation with other AmCham councils and committees, Szokodi contends. “We believe that well-defined and realistic goals, as well as short- and medium-term results will create a trusted and positive environment that can further reinforce the value of participation in AmCham’s Healthcare Committee.”
Profiles seminar: Eye of the tiger

IN ORDER TO OVERCOME THESE EXTRAORDINARILY tough economic times, strong leadership is crucial for a company, and so it is also crucial to know what makes a leader great and how a company can identify and develop such leaders among its management staff, said Irishman Deiric McCann, European vice president of Profiles International, an employment testing and assessment company, at a seminar on April 21 in the Kempinski Hotel Corvinus Budapest.

McCann started his presentation by showing a short video clip, accompanied by the steady rock beat of the 1982 hit “Eye of the Tiger” by American band Survivor. I show you this clip, he said, because it conveys the essence of my message, which is that you can reach what you want, if only you go for it. “It is all about having genuine self-confidence and a positive attitude,” he said, quipping that this is pretty difficult when you’re Irish or Hungarian, who are by nature pessimists for whom the glass is always half-empty. “But it works,” he said.

Profiles International, he claimed, has conducted extensive research over many years regarding what makes a great leader, and it identified 70 characteristics. He continued explaining the ten most important features, ranging from focusing on getting results and not only developing plans, but also taking action, to knowing that it is all about people: understanding how to motivate them and putting the right man in the right place. And also, “Great leaders have a realistic vision beyond the current crisis, and they can tell their people where to go with the company and how to get there.”

Labor law in times of economic turbulence

INFORMATION ON PRACTICAL labor law topics that may increase cost-effectiveness and thus improve a company’s survival chances in times of economic turbulence was the focus of the cocktail seminar on April 8 at the Kempinski Hotel Corvinus Budapest, sponsored by law office bpv|Jádi Németh.

First, three attorneys from the sponsoring office gave presentations. Zoltán Kató covered recent amendments to the labor code regarding working hours and holidays, pointing at useful working schedule schemes which reduce costs and save jobs. Katalin Balázs discussed data protection issues connected to employment, pointing out that the need to monitor electronic equipment used by employees should be in-line with constitutional data protection rights. Gábor Farkas addressed major issues of terminating an employment contract in a crisis situation and how to prevent defects by diligent legal planning.

Then, two respected expert practitioners in the field invited by bpvl Jádi Németh held their presentations. József Radnay, academic professor and retired Supreme Court judge, spoke about the recent judicial practice with regards to termination of employment. He also answered questions from participants about the side effects of illegal termination and quality replacement. Endre Győző Szabó, advisor to the offices of the data protection ombudsman, then confirmed the presentation by Katalin Balázs, stating that employee monitoring has a very special and sensitive focus in the practice of the ombudsman. There is a growing culture in companies to monitor the way employees use electronic equipment, but in many cases the approach applied is not in full compliance with the relevant Hungarian and EU legal standards, he explained.
Exciting times
MAGYAR TELEKOM IS COPING WELL

“THE ECONOMIC CRISIS is all around us, but it’s not a life-or-death situation for Magyar Telekom in terms of direct impacts,” says Christopher Mattheisen, Magyar Telekom CEO and board chairman.

“The immediate financial direct impacts to a company like us are not so heavy, because the nature of the business is that we have a pretty healthy cash flow, and we’re allergic to debt,” he explains. “So we have a pretty low debt-to-equity ratio, and the debt that we do have is with our mother company in Germany (Deutsche Telekom AG), which is also in a pretty good cash position in probably the least-affected economy in Europe. So in terms of direct financial impacts, as safe as you can feel in times like this, we feel pretty safe.”

One of the keys to knowing how bad the crisis is going to affect us is knowing where we stand in the chain of customers’ priorities, Mattheisen says. “We don’t yet have a completely clear picture of that, but I know we’re somewhere between luxury automobiles and milk,” he quips. Still, he says, it’s important that Magyar Telekom keep its eyes on what’s going on in the Hungarian economy, and that a crisis like this has threats, but it has opportunities as well. “There are a lot of other companies out there that are probably worse-affected than we are, which could present us with some opportunities like slowing down some of our competitors, or present consolidation opportunities – not everywhere, but I think there are a couple of areas where that could be more interesting.” He mentions Magyar Telekom’s systems-integration and IT-services businesses in which his company is a market leader at 11%; the same thing could be true for the fixed-line access side as T-Home is the largest incumbent.

SUCCESS STORIES
MATTHEISEN SAYS OUTSIDE of the crisis it’s an exciting time at Magyar Telekom. For example, he reports that the company has launched a satellite TV service in November, which has quickly garnered 50,000 customers. According to him, the rebranding that Magyar Telekom did last September has been a success, as brand awareness of the new fixed-line brand T-Home is now over 50%. “I think now we do have the mix right, so having a T-Mobile, a T-Home, and a T-Systems – I think that’s just enough to have a synergy but not so much that you cause confusion in the market.”

There are many other success stories, too. “A lot of people don’t realize that we’re behind Dataplex, the largest data center in Central Europe, and we’re behind the social portal site AwW.hu, whose users are over 40% of the population. We’ve also got an interesting project going on called ‘Kitchen Budapest’, or KIBU.hu, which is an innovation lab that we’ve had going for almost two years now – they’ve recently come up with an exciting online presentation software, Prezi.com, which is getting a lot of interest in the market out there, and not just in Hungary.”

INVESTIGATIONS AND GOVERNMENT
MEANWHILE, investigations continue over irregularities at Magyar Telekom’s Macedonian unit, about which media have reported regularly. Mattheisen says it is a complex matter as the company is listed in Budapest and in New York. “Aside from that, obviously, we support the investigation. There have been questions about its length – all I could say about that is ultimately it is in the company’s interest to get to the bottom of all this, because that’s really the only way of securing its reputation and of making sure that these things can’t happen again.”

Regarding the formation of the new Hungarian government, Mattheisen is slightly hopeful. “I think they’re saying the right things, but we’ll see,” he says, adding that a sound economic policy would be especially important for his company, which has been struggling with the widely fluctuating Hungarian currency.
Soaring interest for ‘One-on-One’ service

The new one-on-one sessions, a free consultation service about EU grants, launched recently by AmCham and its member MAPI (Hungarian Grant Agency), was an overwhelming success. The original idea was to offer 30-minute consultations per member during two afternoons, but soon after the initial announcement, additional days had to be booked due to the high interest.

All in all, five sessions were held, at which 26 member companies and organizations took the opportunity to gain insight into current grants available for development and investments. Some companies more severely affected by the crisis came to discuss funds available for employment retention, but the project team was also glad to notice that the majority of participants were interested in grants to cofinance their development projects.

Participants came from all kinds of economic sectors, and both SMEs and large companies asked for advice. The majority of them were located in Budapest, so MAPI’s experts had to disappoint them, because less funds are available for companies operating in Budapest and Pest county compared to other regions. The experts also drew the attention to the large amounts of grants still available for company innovation and R&D.

Overall, experience showed that there are still companies considering development and looking for alternative financing solutions, despite the difficult market situation. As banks have become more cautious with their lending, grants have become more appealing. But the question remains how the rather rigid grant mechanisms can be adapted to the new crisis situation.

Based on these positive experiences, AmCham is planning to launch more free One-on-One consultations in other fields.

MBA scholarship winner gaining global insight

When Balázs Nagy received a joint AmCham and Central European University scholarship to use towards an MBA program, he knew this educational opportunity would enhance his career goals and benefit his company. “We are in a quite new and global industry ... so a global background and network was really something that would be appropriate,” says Nagy, the business development manager for Manpower, an employment service provider. He is working to enhance his company’s outsourcing strategy, and the knowledge he is gaining through International Executive MBA (IMM) is proving inspirational. “Just after two weeks of the program, I had some ideas for foreign business that we probably will apply in the near future,” he says.

Nagy is the “very honored” third recipient of the scholarship which provides €26,250 to attend IMM, which is a partnership between the CEU Business School, Germany’s GISMA Business School, the United States’s Purdue University, and The Netherlands’s TiasNimbas Business School.

The program requires a great deal of group work in multinational teams and travel to foreign countries, including a recent trip to the US and a pending one to China, which Nagy is especially excited about since “it’s a rapidly changing environment.” These international experiences give rich insight into global business, whether it’s learning the difference between economic perspectives between Germans or Americans, or understanding many leadership styles from militaristic to civilian, Nagy describes.

The key to being successful in the program is having the support of family and friends, since the program requires great amount of time commitments and organization, he adds.
“AMCHAM HAS BEEN CHANGING over the past year. We have been doing our utmost to better serve our members’ interests. Attracting new members has been as important a priority as making the current membership happy, so the staff, which also has new members, has been working hard on enhancing the chamber’s value proposition. AmCham has been a point of reference for years, and we will make sure that it remains one in the future,” says Péter Dávid, CEO of AmCham, at an office-warming party on April 3 at the Chamber’s new premises on Szent István tér 11.

The party provided an opportunity for active members to get to know the new office environment where staff has been working since March. “We are continuously working on improving membership services, and the office itself is an example,” explains Chief Operating Officer László Metzing. “When we were looking for possible new premises last year, we took our members’ needs into account, and we hope that it will meet their expectations. It is in the downtown area and easily accessible. There is a parking lot nearby, and the office has two comfortable conference rooms where committee meetings and other smaller events can be held. I encourage members to visit us anytime and give us their feedback on AmCham services directly.”

Among the more than 70 guests at the event, hosted by founding member of AmCham Zsuzsa Rajki, were also many committee chairs and active committee members. “I believe that the committees are the true engines of AmCham, and I truly hope that in our recently revised and revitalized committee structure our members will find an effective platform to discuss their initiatives and exchange ideas in different policy areas,” says Project Manager Beatrix Kovács. Those present were also offered a little wine tasting, after which they voted on which wine to select for this year’s AmCham events. “Many of our members join AmCham because they would like to network regularly. We believe that they can find new business partners and opportunities through the Chamber, and therefore, AmCham is organizing very different kinds of events where networking is possible,” say Membership Manager Emília Répászky and Event Manager Anita Árvai.
FOLLOWING THE SUCCESS of the first event in a new series, AmCham Hungary organized its second Business After Hours in the Hotel Palazzo Zichy on April 28. More than 100 people participated at the event, which offered an excellent opportunity to meet fellow AmCham members. New members (Banco Popolare, PDI Hungary Ltd., SpenglerFox-Grafton, Csilla Székely, and Andrea Kiss) had the possibility to introduce themselves in the very pleasant atmosphere of the hotel. The host of the event was Dr. Csaba Szokodi, Managing Director of Johnson & Johnson, who highly contributed to the success of this event.

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**Business After Hours**

**Date:** Thursday, May 21, 2009  
**Time:** 16:00 - 21:00  
**Location:** Hungarian House of Parliament

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AMCHAM
Calendar of Events

MAY
15 Friday 1 pm
Extraordinary Business Forum
Location: InterContinental Budapest
Speaker: László Kovács,
Member of the European Commission,
Commissioner for Taxation and Customs Union

28 Thursday 12:30 pm
Business Forum with Dr. Péter Oszkó,
Minister of Finance
Topic: Crisis Management, Reforms,
Boosting Economy – Hungary’s Perspective for the Upcoming Years
Location: Budapest Marriott Hotel

JUNE
21 Thursday 4 pm
Doing Business in Europe 2009-2013 Conference
Location: House of Parliament

Note: Our events schedule may be subject to change. Please always check the AmCham website (www.amcham.hu) for the most up-to-date information.

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