Plans and intentions
THE FOURTH BIENNIAL POLITICAL AND CORPORATE LEADERS’ FORUM

Not a handout
MICROLOANS FOR SAVING ENERGY

Outspoken rhetoric
NEW ENGLISH EVENTS ENLIVEN AUDIENCES

A serious warning sign
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Exhibition: 8-16th May
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(on the first of November closed)
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87TH JEWELLERY
4TH SILVER AUCTION
(JEWELLERY, SILVER OBJECTS)
Acceptance deadline: 15th October
Exhibition: 27th November - 5th December
open every day 10-18
Auction: 9-10-11th November 5 pm

A realm of treasures...
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Dear Members and Friends

The focus of this magazine’s current issue is the upcoming Political and Corporate Leaders’ Forum, which is the fourth such event held every two years. Now it is scheduled to take place shortly before a new parliamentary cycle.

We continue this tradition because it is imperative for the political leaders of this country to hear the voice of the business community when making plans or preparing decisions that affect local and foreign investors, both large and small, in Hungary.

But this is a two-way street. We also need to understand the social, political, and economic programs of the political parties. It is in our interest that these programs improve and support Hungary’s global competitiveness.

During our forum, the parliamentary parties’ prime-minister candidates are invited to make keynote speeches that express their respective visions for Hungary in the coming years.

We all know that the competitiveness of Hungary – for various reasons – has declined in regional comparison in the past years. It is our combined and mutual desire that this tendency stops and the Hungarian economy should grow and be more competitive in the short term. This is why we are preparing White Papers on four topics (Public Sector, Tax, Labor and Education, and Transparency), based on member suggestions, which will be given to the parliamentary parties before the Forum. Therefore, I urge you to share your feedback on the separate forum pages on the AmCham website.

We also welcome the new US Ambassador to Hungary and look forward to a continued excellent relationship between the US Embassy in Hungary and AmCham. Her speech at our special Business Forum provided an important opportunity for Ambassador Tsakopoulos-Kounalakis to not only meet many of you, but to share her ideas on various aspects of US-Hungarian relations.

I am happy to report that the new AmCham website was successfully launched, providing new access to more information, providing new possibilities to understand what is happening within our organization and what events we plan, and also providing a new forum feature to facilitate information exchange and dialogue more efficiently with what is happening within our organization and what events we plan, and also providing a new forum feature to facilitate information exchange and dialogue more efficiently with committees and other members.

Finally, I would like to inform you that after ten years of successfully publishing Business Hungary, we will begin to publish a new magazine to refresh and emphasize this important communication channel. This is an additional step to revitalize AmCham and make it more efficient in serving you and your legitimate business needs in the interest of Hungary’s competitiveness.

Best regards,

Gusztáv Bienert

“This is a two-way street.”
EU PRESIDENCY

HUNGARY WILL EMPLOY a staff of 700 to work under the Hungarian EU presidency in the first half of 2011, mainly civil servants already dealing with EU affairs, the Foreign Ministry told MTI. Spain, Belgium, and Hungary are holding the EU presidency as a trio from early 2010 to mid-2011, with Hungary taking over the presidency on January 1, 2011. Hungary will host about 15 informal ministerial meetings during its six-month term. The number of prime ministerial summits to be held here is still subject to discussion and coordination. The trio has worked out a joint program, setting priorities for all three presidencies, such as promoting efforts to find an exit from the economic crisis, fighting unemployment effectively, and the promotion of the sustainable use of natural resources. Also, the EU’s new Danube strategy is expected to launch during Hungary’s term, the ministry said. References to cultural diversity as a “unique resource” and strengthening regionalism were added to the trio’s program on a Hungarian initiative, the ministry said.

FARMLAND OWNERSHIP LAW SET TO EXPIRE

THE PRICE OF FARMLAND IN HUNGARY is expected to shoot up in the spring of 2011 when the suspension of land purchases by foreigners expires, business daily Világgazdaság wrote. Though both major political parties support efforts to get the suspension extended, which was negotiated when the country joined the EU in 2004, experts told the paper that it is highly unlikely Hungary will be able to do so. Today, around 40–50 hectares costs Ft 600,000–800,000 compared to around Ft 2.5 million in neighboring Austria. Agricultural policy makers are worried that many Hungarian farmers could find themselves priced out of the market and argue that the suspension should stay in place until 2014.

PROPERTY TAX SCRAPPED

THE CONSTITUTIONAL COURT ruled that the institution of a property tax and setting the amount of the payable tax via self-assessment were unconstitutional. Under the new law, the owners were to self-assess the value of their property that was to serve as the tax base, but the tax authority (APEH) had the right to impose a fine if it found a larger-than-10% difference between the self-assessed value and its own estimate. Such a scenario could have materialized within five years from the tax declaration, but the Constitutional Court said the value of a property is an extremely volatile factor that often shows 30–40% fluctuation. The court also criticized other elements of the law. But proposals to also cancel the tax on high-performance passenger cars, watercrafts, and aircrafts were rejected. The government had penciled in Ft 50 billion in revenues from the property tax in 2010.

RENEWAL OF MNB AND PSZÁF?

HUNGARY’S NEXT GOVERNMENT will need to renew the country’s Central Bank and financial supervision to get the economy out of crisis, head of main opposition party Fidesz, Viktor Orbán, said in a speech. “We need a government which renews the Central Bank and the financial supervision as well, because these together bear responsibility for having demolished the economy,” Orbán said, without offering details. In a MTV interview a few days later he added, “there are laws that regulate the appointment and discharge of these leaders and these [laws] need to be respected.” The government has no legal means to oust either the governor of the Central Bank or the chief of the markets watchdog, because their mandates expire at a certain point, therefore “this is a complicated story,” he said.
**HARMAN MOVES PRODUCTION TO HUNGARY**

**HARMAN INTERNATIONAL OF STAMFORD,** Connecticut, a global leader in producing car sound systems, has received a Ft 368 million grant from the Hungarian government to develop its electronics plant in Székesfehérvár with a planned investment of Ft 3.7 billion, the economic ministry announced. The funding will go directly to Harman’s local subsidiary, which intends to convert the plant into a European production base, increasing its workforce at the unit to around 700 in the initial phase of the planned expansion, then to 1,400 in the following phase, and to 2,000 in the next two or three years. Harman International Vice President for Operations David Karch said that the company would like to move a major portion of its acoustics production from Great Britain and Germany to Hungary.

**CHINESE €455M AIRPORT INVESTMENT**

THE GOVERNMENT HAS DESIGNATED a planned €455 million investment by a Chinese-owned company at the Vát-Porpác Airport (NW Hungary) a “priority project”, accelerating the process of applying for permits, the latest issue of official gazette *Magyar Közlöny* reveals. Chinese-owned Sia-Port wants to build an “international, intercontinental airport with a focus on air cargo” at the site, according to the home page of the Ministry of National Development and Economy. The airport is expected to employ a staff of 2,000.

**PHARMACEUTICAL INVESTMENTS**

ONE OF THE WORLD’S leading generic drug producers and developers, Teva Pharmaceutical, is to invest more than €65 million in a new plant in Hungary, creating 260 jobs, the company announced. Teva will make eyedrops, syringes, and other sterile products in its plant in Gödöllő. The products will be marketed locally, in Europe, and in the US. The six-module facility will be constructed in several phases, and production will be launched in the third quarter of 2011. Works will be completed by the end of 2014. The new plant will double the volume of Teva’s current sterile product output. Teva Group has been operating in Hungary since 1995, providing jobs to more than 2,000 people in Debrecen, Gödöllő, and Sajóbánya. The Hungarian Investment and Trade Development Agency (ITD Hungary) is currently in talks for about 13 other pharma-industry projects to be hosted by Hungary, said ITD Hungary Acting CEO Csaba Kilián. Should each of these get realized, Hungary is looking at pharmaceutical investments worth €150 million that would create nearly 800 jobs, he added.

**HANKOOK TIRE PLANT EXPANSION**

HANKOOK TIRE SAID IT WILL INVEST €230 million to expand its car-tire plant in Rácalmás, near Budapest. The investment will double production capacity and create 700 new jobs at the Korean-owned plant. Development will entail construction of a 58,000 sqm plant, increasing the total area of the unit to 160,000 sqm. Construction work is expected to be completed by the end of this year, with production scheduled to begin before the end of this year. If full capacity is reached by August next year, the plant will produce a total of 30,000 tires per day, and the plant could export 10 million tires a year to European markets in 2012. The Hankook plant started operating in 2007 and currently employs more than 1,200 workers.
US-ROMANIAN DEFENSE DEAL

PRESIDENT TRAIAN BĂDESCU’S abrupt announcement that Romania has agreed to host elements of a revamped US missile shield defense system, to be fully operational by 2015, has triggered a flurry of reactions, both in the country and across the borders. Russia criticized the decision, while some national and international media questioned how quickly the decision was made, noting that the Czech Republic and Poland, which were supposed to host elements of the Bush-era missile shield, set a lot of conditions to accept the US plan. Another matter is whether Romania held sufficient consultations with EU and NATO partners, while it is also not clear how much the construction of the shield will cost Romania. Such a system would require an investment of about $4 billion, according to military experts. The most expensive acquisition would be the required long-range missile system. Currently, Romania only has a short-range missile system made in Germany. Bucharest will also have to purchase an anti-air missile system and other equipment. *(HotNews.ro)*

NEW CROATIAN PRESIDENT

Ivo Josipović, the candidate fielded by the leftist opposition Social Democratic Party, claimed a landslide victory in Croatia’s presidential elections in January. The victory is seen as part of his pledge to strongly support the fight against rampant corruption and lead the country into the EU in 2012. Josipović won over 60% of the vote, easily beating the populist mayor of Zagreb, Milan Bandić, who competed as an independent candidate. Although the president’s power in Croatia is largely ceremonial, he has strong influence over foreign policy and is also the commander of the armed forces. The post also holds high moral authority, and Josipović already pledged to support the anti-corruption drive launched by the government in July. Croatian Prime Minister Jadranka Kosor, who is also the president of the ruling conservative party Croatian Democratic Union, HDZ, said she expected “good cooperation” with the new president. *(balkaninsight.com)*

POLISH PRIVATIZATION PROGRAM

The Polish Treasury is selling companies off without waiting for buyers to sign agreements that guarantee the workforce’s health, pension, and other benefits will remain at the same standard. This makes the companies being privatized more attractive to investors, but unions are protesting that the government is violating its obligations to workers.

The first such privatization that triggered union objections was that of Bukowa Góra quartzite mine. The company was sold to PCC despite protests from workers. A similar dispute arose in the sale of the Cefarm Białystok pharmaceuticals warehouse, which was bought by Farmacol. The ministry wants to gain around 37 billion złoty by the end of 2010 from privatizations, but due to the crisis, this goal seems difficult to reach. Poland needs additional revenues to prevent its public deficit from exceeding the threshold of 55% of GDP next year, which would trigger legally mandated cuts in public expenditures. *(Warsaw Business Journal)*

ORIGIN-OF-PROPERTY BILL IN SLOVAKIA

Coalition and opposition in Slovakia managed to team up in Parliament, passing the broadly discussed bill on the origin-of-property disclosure. Prime Minister Robert Fico is the author of the proposed law, which differed from a similar bill submitted by the Christian Democrats earlier, but was given the thumbs-down by Parliament. Only radical nationalist parties in Slovakia voted against Fico’s new proposal. Fico said there is a public voice urging for such a measure to be taken, in order to allow relevant authorities and institutions to intervene in cases when somebody is under obvious suspicion of having gained part of his or her property illegally. *(sktoday.com)*
AmCham Hungary

The upcoming elections give a chance to rethink the direction in which Hungary’s economy and society will move during the following years,” says Tamás Vahl, chairman of the German-Hungarian Chamber of Industry and Commerce. “If we miss this chance, Hungary may lose out for many years. So it’s of vital importance to clarify the intentions and concrete plans of major political forces, and at the same time, to communicate the positions of the business sphere to them in order to ensure adequate reflection in the next government’s strategy.”

The Forum serves as the perfect tool to maintain the direct dialogue between the business circles and the political decision makers.”

At the forum, prime-minister candidates of the parliamentary parties are invited to make keynote speeches about their vision for Hungary in the coming years. As with the last forum in 2008, the four specific topics to be addressed are the public sector, taxation, the labor force and education, and transparency. Before the forum, the parties have received documents on all four topics, based on earlier White Papers on these issues and suggestions from the members of AmCham, DUIHK, and JVSZ.

“The four topics are of fundamental importance to the business community, to its competitiveness, and to its readiness to invest in Hungary,” Vahl emphasizes. “For many years, companies in Hungary have not experienced any seminal improvement in these areas. Things have even worsened regarding the predictability and accountability of economic policies. This can be clearly tracked in the German-Hungarian Chamber’s annual business climate survey of recent years. That is why these issues are still on the top of the agenda, and will most likely remain there until the next forum.”

According to some, the lack of detailed reform ideas, which the next government is planning to implement, creates a certain level of...
uncertainty. “That is exactly why we have this forum, to get as much information exchanged as possible,” says Bienerth. And according to Fekete, there are various plans on how to proceed. “Therefore, it is of vital importance for the business community to understand the economic (and also the political) vision of the parties, and vice versa, it is important for them to understand our expectations. The continuous dialogue helps to ease and clear up the probably natural uncertainty that is always present when coming closer and closer to an election,” he says.

Váhl takes the argument a step further. “In recent years, many proposals have been made by academic circles, the business sphere, and even by political parties. The problem is not the lack of ideas, but the lack of political commitment by political decision makers to implement the proposals within a consistent reform-oriented strategy. Clear and reliable proof of such a commitment would already reduce existing uncertainties among the business sphere,” he emphasizes.

**PUBLIC SECTOR MODERNIZATION**

THE FIRST OF THE FOUR ISSUES put forward by AmCham is public-sector modernization. “I didn’t expect too much real progress on this in the past two years, as this requires a qualified majority in Parliament,” says AmCham President Bienerth. “But the issue must be on the table and must be debated, and in that sense we have come some way, because all parliamentary parties now agree that something must be done, and this wasn’t the case two years ago.”

In 2008, the White Paper addressing this issue noted that the public sector was characterized by a lack of quality, low efficiency, over-bureaucratization, over-politicization, expensiveness, insufficient transparency, and a lack of performance requirements. The paper also asked for a series of concrete policy measures, such as the abandonment of county-based administration, less ministers and ministries, a ‘single-window’ procedure in the most important affairs of corporations, and a faster reduction of corporations’ administrative burdens. The White Paper also concluded that a complete reform of the public sector cannot be resolved in one or two governmental periods, called for broad cooperation on the creation of a state reform strategy, and emphasized, again, that narrow party interests should be taken off the table.

**TAXATION**

IN 1998, THE WHITE PAPER on taxation stated that a reduction of the tax burden on companies and labor and the fight against the black economy are essential for the competitiveness of the economy and will result in accelerating economic growth. A tax reform should also enhance the motivation for employers and employees to pay their taxes. Among measures proposed were the abolition of surtax for all kinds of enterprises without raising any other tax burden, the reduction of taxes on capital gains primarily on behalf of Hungarian entrepreneurs and investors, and the

complete reform of the public sector is a major point.

abortion of taxes on practice of industry which should lead to growth stimulation for larger employers, investors, and enterprises that produce net GDP.

**LABOR AND EDUCATION**

“THE QUALITY (that is, the skills), the available quantity, and the costs of the workforce, as well as the structure and legislation of
In 1998, the White Paper on labor and education concluded that the field was characterized by a serious “deficit of professionals” and “barriers for development”, and it identified these shortcomings in a detailed way, from the lack of certain training courses, low prestige of technical work, and lack of workers speaking foreign languages, to low workforce mobility, more acute problems in the Budapest region, and the rising costs of Hungarian labor.

Among measures that were deemed necessary were that companies should have a significant voice in education and labor market policy decisions, that the number of pragmatic and professional courses should be increased and education methods improved, and that a campaign should be launched about the perspectives of professional training among youth and their parents, with a special focus on practical training and industrial engineering training.

**TRANSPARENCY**

“HUNGARY COMPETES FOR markets and foreign investors with numerous neighboring countries, and according to the transparency indicator, Hungary couldn’t keep up with them. The corruption, the lack of transparency, and the lack of accountability are still the factors that set back the economic development,” said Endrő Mécs, chairman of the AmCham Transparency committee, at the forum in 2008. The 2008 White Paper emphasized the importance of spreading transparency to all relevant sectors, especially regarding the fields of procurements, access of information, the civil service, and political party financing.

Among others, the paper proposed a revision of the entire legal environment with regards to access of information, the possible establishment of an independent institution (or court) to monitor the issue, and to introduce a decision that obligates public administration to publish information. Also, the civil service would need to create its own honor code and, as a general rule, publicize information about civil service decision makers on the Internet.

The paper also opted for clear regulations concerning donations and other services that can be given to political parties, statutory regulation on accounting and bookkeeping of political parties, and the obligation of parties to provide detailed and public information on their entire income and cash flow, with strict sanctions against legal violations.
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- Effectively Balancing the Portfolio
Both analysts agree that Fidesz is the hot favorite to win this election and win it hands-down, possibly even securing a two-thirds majority, although the party itself, for obvious reasons, is downplaying the possibility. And with the MSZP in “a state of total chaos,” as Magyar calls it, there is little use at the moment in wondering what the socialists would do if elected again, because they won’t be. They had their chances and showed their cards with Medgyessy, Gyurcsány, and Bajnai. The only crucial question now is what the opposition has to offer.

Jumping in the dark

“First of all, the election campaign is not about concrete policy issues, but about broader visions,” says Magyar. Fidesz has – a bit like Obama in the US – made “the need for change” the main focus of its campaign, but at the same time, it keeps very quiet about its exact agenda when elected, she says. “It is completely unpredictable what the new government will and will not do. It is like jumping into the dark. The strange thing is that this is widely accepted in Hungarian society, and voters don’t seem to ask for more clarity.”

Szabó doesn’t disagree, although not coincidentally he formulates it in a different way. “This campaign is about moral questions, about being trustworthy or not,” he says, referring back to the infamous Ószöd speech in 2006 of former socialist Prime Minister Ferenc Gyurcsány. Also, Fidesz represents a broad camp of followers, which means raising very concrete policy issues may easily alienate one or the other group, he points out. “It is simply not in Fidesz’s interest to do so.” Along this same line of thought, it is also in the interest of Fidesz to have a short campaign, he says. This may change in the last one or two weeks before the election, when the party – as it did in earlier elections – might publish some kind of program, “but now is not the time for that.”

According to Szabó, the pension reform discussion underlines why Fidesz is right in handling itself the way it does. In an interview with magazine Figyelő, Fidesz financial expert Mihály Varga let slip that the party – as it did when in government in 1998–2002 – was still debating the merits of the Swedish pension system (calling it a concept the party “has not abandoned to this day”). The MSZP jumped on this immediately, accusing the opposition of wanting to slash pensions 10-20% and raise the pension age for some to 70 years. In response, first Varga stated he was quoted badly – always a favorite argument of politicians after a slip-up – and then other party officials insisted a Fidesz government would preserve the value of pensions while it was the MSZP government that had hurt the interests of the elderly. The MSZP of course had to answer to that, mobilizing pensioners and initiating a signature drive, and so on and so forth. “In no time, it became a slanging match, showing that a normal debate about such matters is not possible today in Hungary,” Szabó comments.

A more active way to write this sentence could also be: Longtime Fidesz MP and co-founder of the party László Mádi learned the hard way just how far the party will go to resist showing its cards. He was summarily dismissed from the Fidesz election list for expressing the view that, in the long run and after proper preparations and reconciliation with social groups, a property tax maybe could be introduced – a stance that contravenes the party’s official stance. Mádi was out on the streets within a day, “a very clear signal from Orbán to
everybody within the party to not digress an inch from the party line,” says Szabó.

FRAMEWORK

THERE IS ALSO broad agreement among the analysts of both sides that a new Fidesz government, though constrained by the overall financial and economic circumstances and the demands of the financial markets and the IMF, will try to create some more financial maneuvering space for itself by renegotiating with the IMF the possibility of a somewhat higher budget deficit for 2010 (see article, page 16).

“One of the main problems is that we do not know the real figures for this year as the current 2010 budget is unrealistic, and the Bajnai government is constantly fiddling with numbers,” says Szabó. According to economic advisors of the party such as György Matolcsy, Zsigmond Járai, and György Szapáry, the real budget deficit could well be 7% or more if all hidden costs – and especially the consolidation of highly indebted companies like BKV and MÁV – are taken into consideration, a notion which is rebutted by Finance Minister Péter Oszkó and IMF experts. “But after the elections, when it will be clear what the real figures are, 5% or less will no longer be that important,” Szabó argues.

The budget deficit is certainly not a priority of Fidesz, says Magyar. “It is impossible to predict what the outcome of talks with the IMF will be. But it is certain that Fidesz is in favor of an anti-cyclical economic policy, and I think they will try to get a deficit of up to 5% accepted. The IMF and international financial markets might insist that Hungary is not in a situation to do so, but Fidesz will not want to accept that and argue that no outsider should tell Hungary what and what not to do.”

MEASURES

MORE BUDGETARY maneuvering space is essential for Fidesz in order to fulfill its most important election promise of further tax cuts on labor and on personal income in order to stimulate economic growth and create new jobs, Magyar argues. “Tax cuts will be their first priority, because they reason that not doing that would be their own Őszöd.” Szabó concurs, referring to Matolcsy talking about new tax cuts already by July 1. “One way or another, Fidesz will have to do this. They have promised it and after Őszöd, it is a question of honesty. Not doing this would immediately destroy the party’s reliability,” he says. The fact that local elections are scheduled for autumn this year, and that radical right-wing Jobbik will be breathing down Fidesz’s neck if it doesn’t keep its promises, are also important factors, he argues.

The main problem will be to find the sources to finance such plans. Many ideas are being floated around within Fidesz, including using EU funds, widening the tax base, and reducing regulation and the administrative bureaucracy, Szabó says. But according to Magyar, Fidesz doesn’t have much choice but to seriously cut expenditure somewhere, as well. “Cuts in health care are impossible; after the 2008 referendum on visit fees and privatizations, their hands are tied. The same is true for education; closing down universities or introducing fees is impossible. The only way for them to find serious money within the budget – up to 5% of GDP – is by taking on local government reform, which means drastically cutting down the number of municipalities, and they are seriously talking about this,” she says.

Szabó acknowledges that a strategy to economize on the expenditures of municipalities is “one way to go.” The situation in Budapest with one central local government and 23 separate and highly independent districts is untenable, he argues, while Orbán has said on several occasions that he wants to cut the number of municipalities in half, and Fidesz’s number one in Budapest, István Tarlós, and Lajos Kósá, mayor of Debrecen, have also argued for radical reform. With Fidesz controlling the vast majority of local municipalities, “it is of course a highly political issue, while on the other hand, it might also be a way of diminishing the influence of Jobbik on the local level.” Szabó says.

As far as transparency is concerned, opinions of the two analysts clearly differ. Magyar calls it an outright scandal how a few months ago Fidesz blocked the Transparency International initiative for a compromise solution on campaign financing. “The new government will make some symbolic gestures, but there is only a small chance that it will touch upon the core of the problem, as that is not in its own interest,” she says. Szabó, on the other hand, is convinced Fidesz will take serious measures. “If not, it will again result in a deficit in the party’s trustworthiness. They will be compared to Gyrucsaány, and Jobbik especially will take advantage.”

TWO-THIRDS MAJORITY

FOR MANY OF THESE policy issues, a two-thirds majority in Parliament is needed to get new legislation through. In case Fidesz would not succeed in gaining such a majority, the MDF – headed by Lajos Bokros and now representing the liberal vote – could find itself in a key position, provided of course it manages to get into Parliament in the first place, Szabó says. Both analysts agree that Fidesz would probably prefer to deal with MDF than to strike deals with Jobbik, which is seen as a much more serious competitor. “To contain Jobbik, Fidesz needs to be tough on certain issues, such as the reform of state administration, corruption, law and order, and the Roma question,” says Szabó. “I think it is almost impossible for Fidesz to cooperate with Jobbik.”

Necessarily, much of all this is speculation and more clarity on what the actual policies of the new government will be might well come about only when the final composition of the new government is made public, so in May at the earliest. As Szabó puts it: “There is only one man who knows.”
**A somewhat higher deficit, if...**

**ARE FINANCIAL ANCHORS STRONG ENOUGH?**

A 4–5% budget deficit for 2010 might be accepted by the IMF and international financial markets, but only if accompanied by credible reform measures made by the new government to address some of the fundamental problems of the Hungarian economy, say János Samu, macroeconomic analyst with Concorde Securities, and Attila Bartha, director of research with Kopint-Tárki Economic Research Institute.

Both economists agree that the financial and budgetary situation has stabilized, especially over the past year under Prime Minister Gordon Bajnai and Finance Minister Péter Oszkó. “The fiscal outlook has improved a lot compared to four years ago and compared to the rest of the EU countries. The past year has brought measures to put long-term sustainability in place, which has caused a positive turnaround in how foreign investors perceive Hungary and its prospects,” Samu says. Of course, investors haven’t immediately started buying Hungarian bonds and equities, but they are no longer as skeptical, he adds.

Bartha concurs: “An important change is that, today, we have stepped out of the political cycle which has dominated fiscal policies in Hungary for so long. True, this was brought about by the external pressure of the crisis, the IMF, and the commercial market players. But the situation is much better today, as there are also several strong fiscal anchors in place to prevent the budget deficit from ballooning again, for example institutions such as the budget council and rules about limiting excessive fiscal spending, the deficit, and debt.”

**A SLIGHTLY HIGHER DEFICIT**

**IT IS OBVIOUS**, both economists agree, that the current budget deficit goal of 3.6% of GDP is not at all certain to be met. Finance Minister Oszkó already admitted that that the Q1 budget deficit would reach 74.8% of the annual target, so the Bajnai government is leaving much of the painful part of this year’s budget until after the election. And as György Kopits, head of the budget council, formulated it earlier at a conference, “The 2010 budget goal is achievable, and the plan is better and more transparent than in previous years,” but the results from enterprises majority-owned by the state will need to be accounted for in the 2010 budget, and the combined losses of local governments could add 0.75% of GDP to the full-year deficit figure, too.

“Meanwhile, Fidesz paints the current situation as black as possible in order to be able to cool down expectations and avoid fulfilling their populist promises when they start governing,” Samu says. “But, if accompanied by strict measures to address...”
Foreign investors perceive Hungary more positively.

some of the fundamental problems of the Hungarian economy, I think the IMF will accept a 4–5% deficit and markets will follow. If there are no such measures, though, markets will react,” he adds.

Bartha agrees. The 7% deficit talk of Fidesz is targeted to reduce expectations of the public, he says, but the deficit – excluding one-off issues – could well be 4.5% this year even without the government doing anything extra. Still, that could well be viable, he argues. “A key question is what will happen with companies like BKV and MAV. These institutions must be placed on a solid footing. If the new government is able to provide credible reform measures to prevent things from getting out of hand again, international investors will likely tolerate such a higher deficit. But if not, and if the story would be likely to repeat itself, they would probably take a much harsher stance.” But Bartha is optimistic, he says, as the track record on fiscal policy of the Fidesz government between 1998-2002 is “not too bad.”

Still, a lot needs to be done, says Samu, calling the general figures and current fiscal state of the nation “a good basis to continue reform.” In his view, some of the steps that need to be taken are measures to streamline government and government services, stimulate economic growth, address the question of the healthcare reforms started and then stopped, and a further reduction of taxes on labor. To which Bartha adds issues like a further reform of the pension system (“It is stabilized for the short term, but rational changes in rules are still needed.”), education (“There will be no significant catching up with the rest of the EU without changes in this field.”), local governments (“This is one of the most important reforms as it also influences education and health care.”) and euro adoption (“I think 2015 is a realistic, but not easy target date.”).

Internationally, there is a lot of praise for the work the Bajnai government has done to stabilize the situation. “This bought the new administration time; time to come up with measures and also time to debate the long-term future of the country with society,” Bartha says. “The question is now whether this new government will be wise enough to go for the right balance of spending and reform measures.”

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Policies over politics
REGIONAL AMCHAMS STAY NEUTRAL DURING CAMPAIGNS

During election seasons, AmChams across Central and Eastern Europe face the same challenge of remaining bipartisan while proactively representing the concerns of the business community. With parallel priorities of improving transparency, labor laws, and foreign direct investment, AmCham leaders from the region share their strategies for making their political points of view heard.

SIMILAR TO HUNGARY, select AmCham leaders from Bulgaria, Poland, Romania, and Slovakia issue position papers, host informational events for members, and meet with politicians in a calculated way that promotes business interests, without having to choose political sides.

At AmCham Poland, “It’s not about politics, it’s about policies. It’s to be very apolitical in a political environment,” says Tony Housh, AmCham Poland board member and former director. “There is very little to be gained by wading too far into partisan politics, and it’s not something we do as an organization. People will say this business group or that seems to support a party, but it’s only because someone is looking at certain ideas or proposals, and they draw a line to who might be close.”

Jake Slegers, AmCham Slovakia’s executive director, recognizes that individual members will endorse pro-business parties, but the organization must remain neutral. “We wouldn’t endorse candidates or release statements to the press. Even if we do, we are issue and position oriented rather than oriented towards particular candidates.”

ISSUING STATEMENTS
ONE PROMINENT WAY AMCHAMS cogently state their priorities is by issuing a formal report or statement to politicians. In 2008, members and committees of AmCham Romania drafted and released their first substantial document to politicians that highlighted concrete actions the government should take in the next four years, according to Anca Harasim, AmCham Romania executive director. The document, which focused on initiatives that would boost Romania’s economic competitiveness and bring more investment to the region, was personally given to and discussed with members of the four main political parties. “It was well received, and we wanted them to get inspired.” Harasim says. However, these statements were released before the one-month election campaign began, so the AmCham could refrain from commenting during the election and thus remain nonaligned, she adds.

Similarly, before an election, the board of the Bulgarian chamber prepares a paper that outlines the issues they want politicians to address in regard to improving the business climate, says Valentin Georgiev, AmCham Bulgaria executive director.

On the other hand, the Slovakian chamber issues a statement to the new government after an election is decided, Slegers says. The document outlines their positions and priorities, which are typically competitiveness, labor law, and education reform, he adds.

“We wanted them to get inspired.”
Political Forums

In addition to meetings and documents, another prevalent way to educate AmCham members about upcoming elections is to host speaker series, like Slovakia did eight years ago. Over six weeks, their organization welcomed representatives from all major political parties, so members had a chance to hear platforms and ask questions. That same election year, Slovakia hosted a live televised debate between politicians, which they hope to do again this year, Slegers says.

Unlike the large-scale forums open to the whole organization, the Bulgarian chamber hosts closed meetings between major political players and AmCham’s board and economic teams. “We prefer to have closed meetings with the board and the economic teams. We think that this is more efficient, and it’s on a working level. It’s not a PR event for political parties or for us, but it should come with a result at the end of the day,” Georgiev says. “It’s a growing interest in the political elite to come and to talk with the business community.”

In the current economic climate, business interests are even more of a priority, Georgiev adds. “Especially in the last elections, it was not so much the problems of the business community that were focused on, but what kind of joint solutions we can find with the politicians to overcome the crisis.”

Regardless of when the elections are, an emphasis should be made to keep up these political discussions, Housh says. “We meet with people out of the election cycle. You can’t just wake up and decide ‘Oh, it’s an election year, and we might want to tell people what we think.’ It’s critical that the dialogue is open, transparent, and regular,” Housh says. Moreover, it’s important for chambers to have a “consistent and persistent application of persuasion, explanation, and demonstration and to not get immersed in political battles.”

Fringe Parties

A complex issue during campaigns is how AmChams should respond, or if they should, to political parties who hold anti-business or anti-foreigner positions. Fortunately for many AmChams in the region, in recent elections these types of fringe parties did not have enough sway to provoke reaction. “The Greater Romania Party had a pale presence in last year’s elections, therefore, their positions didn’t need to be counteracted,” Harasim says.

Four years ago, the Slovakia chamber invited the communist party to speak at a forum, but there were only about four people who attended it, Slegers says. “When they come, they can expect to be asked some pretty pointed questions as well,” he adds.

“They don’t want to meet with us, therefore, there is no platform for discussion,” says Georgiev, regarding anti-business parties. “If they have totally different opinions from yours, there is no basis for discussion.” The Bulgarian chamber usually doesn’t have to issue statements that react to fringe parties. “We don’t pay attention unless it will become something which can really threaten the whole system here, but I don’t think that this can happen,” he adds.

In Poland, the main political parties are, for the most part, strong free market parties, which makes AmCham’s role in Poland a bit easier, Housh says. But if “there were damaging parties, we’d have to speak up more. For AmCham, it’s important to keep up the dialogue.”

Common Vision

Recognizing that recommendations from AmCham could seem too centered on American interests or represent the interests of a small business community, the Romanian chamber formed greater alliances. Before the presidential elections in 2009, they joined with the British Chamber and other business associations to issue joint recommendations to politicians in an event named the Romanian Economic Forum, which intends to be organized annually. “We have pertinent observations and suggestions, but the mere fact that they come from the AmCham could seem self interested or unilateral,” Harasim says.

To take this economic forum one step higher, the Romanian members would like to create an economic council composed of a “competent and pragmatic group of CEOs of top companies who could advise the president on any issues related to business,” Harasim says. While this is just in the proposal stage, Harasim says the expert group could apply their business approach and expertise to other matters outside the private sector, where efficiency, optimization, and performance are required.

In furthering this spirit of partnership, Georgiev of Bulgaria recommends that to enhance the political effectiveness of the region’s AmChams, the transatlantic relationship should be heavily promoted. “Our economies are interrelated, not only in Europe, but interrelated in a global economy,” Georgiev says. “By promoting this common vision, we are helping ourselves.”
A sign of professionalism
ANALYZING ELECTION PLATFORMS

A cost calculator showing the budgetary implications of each and every election campaign promise could maybe prevent political parties from trying to outdo each other in populist feel-good pledges to voters. The suggestion has popped up in the Hungarian media every now and then, and was recently also put forward by MDF-deputy leader Károly Herényi. But major Hungarian parties are still sketchy, to say the least, about their actual plans and the price tags involved. In the Netherlands, such conduct would be unimaginable, as having a detailed election program scrutinized by well-respected analysts is seen as a sign of political professionalism.

Since 1986, Dutch election programs are subject to scrutiny of the Netherlands Bureau of Economic Policy Analysis (CPB). Before each election, the CPB analyzes the economic effects of the various election platforms. Participation in the analysis is voluntary and rather demanding for the parties involved, but almost all Dutch political parties (there are currently ten with seats in Parliament) take part, says CPB researcher Mark Roscam Abbing. Key elements in the scrutiny are the effects of party programs on the budget and public finances, social security and the labor market (unemployment), inflation, wages and the purchasing power of different social strata (lower-, higher-, and middle-income groups), and overall economic growth for the next two to four years.

Restraining effect

It is a rather unique system, says Abbing proudly. “There are some comparable studies of election platforms in other countries, but nowhere are they scrutinized for their economic and financial feasibility in the same the way we do. Our study is meant as a service to voters, but it also has a restraining effect on election promises. Parties can no longer exaggerate the benefits of their proposals or downplay costs. Actually, it often turns out they don’t even realize what the negative impacts of their proposals are, so our analysis also helps them to develop a more balanced election platform.”

The CPB analysis is neither a value judgment nor a seal of approval, and it is certainly no advice on how to vote, Abbing emphasizes. “We don’t give opinions about any election platform, and we do not evaluate party programs as good or

“Our study is a service to voters.”

By Runa Hellinga
bad. Politics is about making choices, and almost invariably, these choices leave both winners and losers. After all, if a measure would have only winners, it would have been taken a long time ago. Each measure is thus likely to have an upside and a downside. We just look at the economic implications of the choices that political parties make.”

But elections are of course about much more than just the economy, he adds. “For many voters, completely different aspects of the political debate are decisive for their choices. They care more about the quality of education, the environment, public safety, or the accessibility of public services than about the economy. Such people are probably not interested in our analysis, and they are obviously entirely free to ignore it.”

**LONG EVALUATION PROCESS**

THE EVALUATION PROCESS of all election platforms starts long before these are presented to the electorate. Well before the elections, the CPB publishes a four-year scenario that outlines the development of the Dutch economy and public finances. That scenario, based on the presumption of unchanged government policies, serves as the baseline projection with which the effects of all elections platforms are then compared.

Once the parties have submitted their draft election programs, the CPB starts detailed discussions with each of them. Often, CPB experts will question parties for further details, for instance because it is unclear how much money a party wants to allocate to a certain policy proposal. Based on these discussions, the CPB makes a preliminary analysis of the election platforms, which parties can use to adjust their policy proposals, which according to Abbing, they often do. The final analysis published by the CPB is based on these readjusted election programs.

**MORE RATIONAL DEBATE**

WHILE ORIGINALLY INTENDED as a service to the voters, the CPB analysis has over the years become an important tool in election debates. Political parties regard it as a sign of their professionalism to have taken part in the comparison, and they often use the outcomes to defend their own policy proposals and bombard their opponents with figures from the study. Also, the analysis has made the pre-election debate much more rational, as became clear in 2003 when the Dutch government unexpectedly resigned, elections had to be held on a short notice, and the CPB didn't have enough time to do the study. As in the old days before 1986, political parties promptly started claiming all kinds of favorable effects of their policy proposals, which other parties then questioned, and voters had no reliable basis from which to judge all claims and counter claims.

Even after elections, when a new government has to be formed, the CPB analyses prove to be valuable, Abbing says. Due to the specifics of the Dutch electoral system, chances are very slim that one party ever wins an absolute majority, and two, three, or even more parties have to reach an agreement about a coalition government. As a result, elections are generally followed by lengthy negotiations (up to four or five months) about a wide-ranging and often very detailed coalition agreement – negotiations in which the CPB study offers a very useful overview of differences in policies that need to be bridged.

“Parties can no longer exaggerate the benefits of their proposals.”

To create an independent economic and financial calculator of the costs and benefits of party programs in election time in Hungary also, a group of independent specialists recently started the website mitigernek.hu. The group wants to scrutinize the election programs for the upcoming parliamentary elections of all parties that have been elected in the European Parliament last year. “We are still in a development stage, but the Dutch CPB practice is our main role model, so it will be an independent calculator, and it will not be a political or value assessment, but strictly about economic costs and benefits,” says Attila Bartha, director of research with Kopint-Tárki. He agrees that the going will be tough, seeing the lack of detailed programs until now and the existing political culture. “But one has to start somewhere. I hope and expect that, in the long run, we'll see some gradual change in attitudes. After all, election campaigns less dominated by populist promises also make it easier for the winning party to start governing, as they will not have to deal that much with unrealistic expectations from voters,” Bartha says.
Central and Eastern Europe successfully rode out the worst of the global financial crisis and some recovery is on the way. That, with a few dissenting voices, was the main conclusion of this year’s Central and Eastern European Forum, the region’s annual “Davos”, held in Vienna on January 19-20. But the eagerness shown by most leaders to join the euro at the earliest opportunity provoked fierce debate.

The Czech Republic weathered the global economic crisis more easily with a flexible, independent currency, rather than having the “straitjacket” of the euro, Václav Klaus, president of the Czech Republic, told Euromoney’s Vienna forum. “Small, open economies which accepted the euro or are firmly attached to it through monetary arrangements have been much more affected [by the worldwide recession],” Klaus said. Yet within minutes, Gordon Bajnai, the Hungarian prime minister, was at the podium reiterating the more commonly held view: “My conviction is that Hungary needs the euro. It means a safe haven for a small, open economy. And in this respect, my government does everything to bring the euro closer. It will take years, but my conviction is that we need it as soon as possible.”

**Pros and Cons**

The stage was thus set for an argument that simmered throughout the two-day conference, ably abetted by the organizers, who had provocatively included a debate titled “The euro will sink the region, not save it” into the program. Klaus has a point; while the Czech koruna has lost 7% since the onset of the crisis, its economy contracted by less than 5% last year. Poland, to the north, has seen its zloty fall farther, yet it was the only EU member to register growth, at a modest 1.7%, last year. Meanwhile, neighboring Slovakia, which adopted the euro last year, saw its economy slide by a fraction under 6%, and Slovenia, an earlier member, contracted over 7%.

Some consider the euro to be a straitjacket that stifles growth.
Speaking in defense of the common currency, Platon Monokroussos, head of financial-markets research at the Athens-based Eurobank EFG, pointed to numerous studies that had documented the benefits of monetary union. “For instance, lower transaction costs. According to studies by the central banks of Poland and Hungary, annual savings by reduced transaction costs at tourist establishments could amount to as much as 0.3 percentage points of GDP per annum,” he said. Perhaps more importantly, countries within the euro zone had lower risk premiums, leading to lower nominal and real interest rates, he said. Then, slightly muddying the waters, he cited the effects of the crisis on countries outside the EU (as opposed to outside the euro zone): “What would happen to a country under the current circumstances if this country is not an EU member – look what happened to Ukraine. It contracted in real terms by 15%; it was very bad,” he said.

But the euro is a political idea that – not for economic reasons – imposes a currency union on something that is actually a suboptimal currency area, countered Helen Szamuely, of the (euro-skeptic) Bruges Group. “The tensions within [this union] have shown up in the crisis between the peripheral euro countries, such as Greece, Portugal, and Ireland, and the core countries. These tensions have made the crisis in the peripheral countries considerably worse,” she alleged. Worse still, Szamuely warned that the very argument of the pro-euro lobby, that monetary union cements the European Union, could be turned on its head. “If the Central and Southeast European countries go into the union anytime soon, these problems will be far worse come the next crisis. It’s not just about an economic crisis; it could well turn into a political crisis, which in an area which has seen a rather dramatic history in the past 50 years, could be extremely dangerous. It could even sink the region,” she said.

**EASTO**

**MARTIN BLUM, HEAD OF RESEARCH** for Ithuba Capital, offered a novel solution, part in jest, part in seriousness. “You have countries in CEE which have a lot of reforms to do. It makes no sense to tie them in with Germany and France, with the associated monetary policy and incorrect inflation target that that implies – as we now see with Portugal, Greece, and others,” he said. The answer to this is a new currency, the “easto,” he announced to chuckles from the audience. “It would solve a lot of the problems for the countries within the EU with a lower GDP per capita, which need more real convergence. It sounds sort of ridiculous, but it deals with more of the issues at hand than ignoring them,” Blum argued.

But with the crisis in the peripheral countries causing ever more consternation amongst the core euro countries, could there be a backlash against further, too-rapid enlargement, asked Euromoney moderator Mark Johnson. “It’s very difficult to predict. I think some EU countries, particularly Germany, may well find the idea of more members that might just cause difficulties a little less attractive than, say, two years ago,” opined Szamuely.

**FOREX LOANS SLAMMED**

Ewald Nowotny, governor of the Austrian Central Bank, condemned foreign currency lending but lauded Austrian banks for their “successful coordination” and willingness to stick to the so-called “Vienna Initiative” of early 2009, set up to combat the financial crisis in Central and Eastern Europe. Giving the keynote address on the second day of the conference, Nowotny said that one of the most serious issues emerging with the crisis was the trend of the last decade for banks to lend in foreign currencies. “This, quite obviously, is a very sensitive issue. Lending in foreign currency [involves] substantial macro- and micro-economic risk. (...) We have made an arrangement with Austrian banks with the effect of dramatically restricting FX lending in Austria itself. We have a tradition in Austria to lend in Swiss francs – this has almost stopped this year,” he said.

Given that some countries in the region “do not yet have the financial structures adequate for long-term financing,” Nowotny said the approach to Central Europe needed to be “differentiated.” However, he judged it “extremely problematic to go on with foreign currency lending for consumer loans, so we have urged banks to stop this altogether [within the region],” he said. Nowotny singled out András Simor, the Hungarian Central Bank governor, for moves to restrict exposure to foreign currency risks in consumer lending. “I think that the approach that has been taken in Hungary is a very positive one. We very much welcome this,” he said.

Perhaps unaware of criticism at the conference that banks across the region had sharply reduced the supply of credit in wake of the crisis, he also praised Austrian banks for “fulfilling their promises to stay on board, to keep lending, and therefore to keep the economies [of the region] afloat.” This “Vienna Initiative,” where the central and commercial banks in the region, the IMF, and the EU commission had worked together in January 2009 to meet the challenge posed by the crisis, had been a “coordinated success,” he concluded.

Countries within the euro zone had lower risk premiums.
Gazprom’s uncertain outlook
A WEAKENED POSITION MAY BRING MOSCOW TO THE NEGOTIATING TABLE

Many people in the EU tend to see Gazprom as a mighty giant that uses energy as a political tool on behalf of the Kremlin. They say that Russia has leverage because it controls 40% of the EU’s gas imports. They fear that Gazprom may again cut gas flows to Ukraine this winter. They should think again. Realities on the international gas market have changed. Gazprom faces almost unprecedented uncertainty. It should therefore be keener on stable energy relations and cooperative customers. There may be an opening for a revived EU-Russia energy dialogue.

By Katinka Barysch

Gazprom’s energy strategy and its political swagger were predicated on the assumption that gas demand in the EU – by far the company’s most lucrative market – would continue growing. But in 2009, European gas demand fell for the first time ever. In the short term, this may even have suited Gazprom. Many analysts had warned that Russia may be unable to fulfill its export obligations from 2011 onwards because it does not invest enough in developing new gas fields in Yamal and Shtokman. Russia’s ability to supply is now more in line with gas demand.

In the medium term, however, the outlook for the gas market is foggy. For a company that must ponder multi-billion dollar investments to prevent an impending output decline, sits on a $40 billion debt pile, and faces tougher competition, this is an uncomfortable position to be in.

The sluggish global economy will cap energy demand at a time when technology has opened up entirely new possibilities for producers. In 2009, output of so-called unconventional gas (gas coming from rock formations) in the US has risen so fast that the US has mothballed its LNG terminals. LNG tankers from Qatar started sailing to Europe instead. The additional supplies have depressed prices in the ‘spot’ market for short-term gas contracts. Spot gas became very cheap compared with piped gas from Russia or Algeria, which is tied to the oil price with a lag. European companies bought more supplies on the spot market and Gazprom lost out.

If the price gap persists, the big European companies, such as E.ON, Gaz de France or Eni, will want to renegotiate their long-term ‘take or pay’ contracts with Gazprom. Russia, so far, wants none of it. If the Europeans buy less than the minimum amount fixed in these agreements, Gazprom can charge them a fine. But if spot prices are sufficiently low, that may still make business sense.

It is not only slow global growth and new technology that are causing uncertainty for Gazprom. So are the EU’s climate change targets and its emerging diversification strategy.

The gas industry argues, somewhat optimistically, that tougher CO2 targets will play in its favor as EU countries are forced to shut down polluting coal plants. Energy experts are not so sure. If the EU is to achieve both its target to increase energy efficiency (by 20% by 2020) and boost the share of renewables to 20%, the role of gas in the energy mix will have to shrink. At the same time, the Europeans are debating how to diversify their gas supplies away from Russia, to minimize the risk of further gas crises like the ones in 2006 and 2009. Many in Europe have already moved to the US.

Multi-billion dollar investments are needed.
ridicule the EU-backed Nabucco pipeline as a pipe dream. But Gazprom has taken it sufficiently seriously to move ahead with its €20 billion South Stream pipeline that would compete with Nabucco for both Caspian gas reserves and South Eastern Europe’s fast-growing energy markets. Austria is the latest country that appears to have switched sides from Nabucco to South Stream.

Pipeline competition, disputes over long-term contracts, and uncertainty over both supply and demand make for an antagonistic energy relationship. Neither the EU nor Russia can want this.

The EU’s energy majors will want to wiggle out of their inflexible 30-year agreements but without endangering their working relationship with Gazprom. Some of them have upstream interests in the exploitation of Russian oil and gas fields. Some are involved in multi-billion euro joint pipeline projects with Russia. Long-term contracts will remain important for EU-Russia energy ties, but perhaps without the outdated practice of linking gas prices to those of oil.

Pipeline competition is souring the political climate in Europe. The EU and Russia should discuss whether Nabucco and South Stream might be merged. Russia will need Western capital and know-how to develop difficult new gas fields. The EU wants Russia to sign up to joint principles on energy sector investment and transit, especially after Moscow recently withdrew its signature from the Energy Charter Treaty. Russia seeks European help to make its hugely wasteful industrial and power sectors more energy-efficient. The EU wants Moscow to adopt greener policies.

These issues, and plenty more, could fill a reinvigorated EU-Russia energy dialogue with substance. Gazprom’s weakened position may bring Moscow to the negotiating table in a more compromising and constructive mood. Progress on energy cooperation could help dissolve the gridlock in EU-Russia relations.

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Metro passengers were lucky, as Budapest’s underground ran virtually as it always does. For bus passengers, though, the strike meant figuring out just where the less frequent substitute routes were taking them, or they just had to wait for a long time out in the cold. Many just walked to wherever they were going, while some commuters ended up driving to their workplaces. Carpooling was encouraged by some employers, while others instructed employees to stay home and work from there. Internet campaigners encouraged car owners to pick up people waiting at bus and tram stops. After two or three days of enduring the strike, residents of the Hungarian capital began to adapt to life without what is arguably one of the best public transportation systems in Europe.

Minimal-level service

Hédi Bozsonyik of Szecskay Attorneys at Law says that the length of the most recent and other BKV strikes may have related to the outdated and sometimes incoherent regulations of Hungary’s labor code and the Act on Strikes, raising questions as to whether the legislation should be changed. According to her, there’s a lack of certainty as to how to proceed with a strike, and much of this has to do with antiquated and ambiguous laws.

According to the Act on Strikes, there must be a seven-day negotiation procedure prior to a strike; it is only after this that a strike can officially take place. “The Act on Strikes refers to a provision of the labor code that was included in the previous labor code of 1967 but which no longer exists,” she explains. “When the new labor code entered into force, the government received authorization to change the relevant laws, including the Act on Strikes, but has never amended the act, so there’s guessing involved in how the deadlines should be interpreted and how exactly negotiations should be conducted.”

During the BKV strike, the company did continue to provide a minimum level of service to the public. “The Act on Strikes does provide for this in terms of public services, but the extent of minimum level of service and the conditions of such a strike are subject to a prior agreement that must be reached during the negotiations preceding the strike,” says Bozsonyik. “When the two sides are caught up in a cat-fight, sometimes no agreement can be reached on the extent of the minimum level of service. It would be better if the law set forth a requirement for companies that must provide a minimum level of services during a strike to have such agreements reached before a strike situation.” But currently, she says, in a decision passed in 2007, the supreme court declared that a strike cannot be considered unlawful if there is no prior agreement reached on the minimum level of service.

There is a lack of certainty as to how to proceed.
“Things go really slowly sometimes.”

THE ROLE OF TRADE UNIONS

“EVERYONE’S MONITORING the situation when such a company as BKV is on strike,” says attorney Bernadett Lastofka of Sándor Szegedl Szent-ivány Komáromi Eversheds Attorneys at Law. “We are a bit surprised and nervous when we see employees striking in areas which affect a great number of people – these kind of public service companies,” says Lastofka. If you look at the activity of trade unions in France, they are much more active than here in Hungary, she adds. “Of course we don’t like when public services go on strike, but they have their reasons. The problem is not that they are striking, but the deficiency and imperfection of the relevant legal regulation. The right to strike is a very important fundamental right coming from a constitutional act, but the Act on Strike is a one-page act and it contains references to an act [the previous labor code] which is no longer in effect.”

According to Lastofka, this imperfect legal regulation of a fundamental right means that either a comprehensive amendment of the labor code is necessary, or the introduction of a brand-new labor code. She adds that regulation of the rights of the trade unions in the present labor code often causes difficulties for the employer’s side. “It’s not consistent in the regulation of the rights of trade unions. Some of the rights are due to all local trade union branches, while some are due only to the representative ones. Maybe a rethink of the scope of rights which are due also to the non-representative trade unions should be considered,” she says. Within one company, there can be several local trade union branches, and the employers have to cooperate with all of them, she explains. “This makes things go really slowly sometimes.”

There is a serious need in general to work on a new labor code, as the current one has been in existence since 1992 and is by now outdated and often criticized for being unnecessarily rigid, according to Bozsonyik. “Some of its provisions – particularly those concerning the workers’ representations and the rights of the unions – have been lifted from the previous labor laws from the ’50s and ’60s, which were made on the basis of Soviet labor legislation.”

THE RIGHT TO STRIKE

BOZSONYIK BELIEVES the Act on Strikes also deserves some real scrutiny. “It could be useful to take a look at the strike rules of countries with a serious history of strikes – they are by default more experienced in this field than we are in Hungary. There are legislations that provide a mechanism for workers to join strikes in certain industries, and for certain categories of public transport workers. In Hungary, there is no such mechanism provided in the law. If workers, just like in France, had an obligation to notify their employer as to whether or not they were going to participate in a strike, employers could organize their operations more smoothly and could easier comply with their obligation to provide the minimum level of services. Employers are allowed, even during a strike, to order their remaining employees to temporarily perform other tasks or to order extraordinary work.”

In terms of liability to passengers, Bozsonyik says there has neither been a case nor a verdict that she knows of that has dealt with this. “BKV has a contractual agreement with the municipality of Budapest to provide public transportation services. When BKV is hindered in this for any reason, it has an obligation to inform the passengers in the shortest possible time and the best it can. But if someone missed their flight because of the strike – should they be compensated? I don’t think so. It is the workers’ constitutional right to go on strike. In addition, we all knew the strike would take place ahead of time, so everyone is expected to mitigate the damages.”

Despite all the confusing legislation surrounding strikes in Hungary, Lastofka reports that the efforts of AmCham and other interest groups in Hungary to push for a new labor code was not precipitated by recent strikes. “These efforts rather came from the financial crisis which highlighted issues – like how to reduce working hours, etc. – which would require a much more flexible regulation, granting a bigger margin for the parties to negotiate and agree on, because employers don’t want to close down companies, or to dismiss people, but to find a more optimal solution for the economic slowdown.”
Habitat targets low-income homeowners who want to make energy-saving improvements to their homes. The organization does not provide the loans itself, but acts as an intermediary between credit-takers and banks. Borrowers will have to abide by the rules Habitat lays down, but commercial banks will provide the funds and are responsible for loan recovery. The involvement of Habitat guarantees a more favorable interest rate.

“‘It widens our possibilities, and it fits in with our normal activities,’” explains György Sümeghy, director of Habitat in Hungary. “‘Our aim is to provide adequate housing for poorer communities, but we are not a handout charity. We invest in low-cost building projects, and we organize volunteers to help building, but owners have to repay us within five years, and also, they have to put 1,200 hours of volunteer labor into their own and other people’s homes. The money they repay is going into new projects. But as our funds are restricted, and we do not have resources to recover credits if people are in arrears, we only have limited capacities. At present, we help some 50 families a year. With the help of commercial credits, that could be much more.’”

Habitat for Humanity International was founded in 1976 by US President Jimmy Carter. The Hungarian branch of Habitat started in 1996, when Carter and 500 volunteers built ten homes in Vác, north of Budapest, within a week. To date, Habitat Hungary has served 340 families at nine different locations. Apart from building houses, the organization also provides construction-techniques assistance, and it offers financial education, teaching families in debt how to spend their money in a better way.

Voluntary work also creates great team spirit, Tályainé underlines. Together, people build something they are proud of, and often volunteers discover they can do jobs they have never done before and which they thought they couldn’t do, like roof tiling or building plasterboard walls. “‘That is a very rewarding experience. Even if people have to work in very hot weather, or stand knee-deep in the mud, the mood is always very cheerful,’” she says.
Recent projects include home renovations.

from low-income groups. Under the new scheme, Habitat expects to help some 700 families, who on average will get a loan of some Ft 600,000. Homeowners will borrow directly from a participating bank or savings cooperative on the strict preconditions Habitat has set, including the purpose of the loan.

PRECONDITIONS

"THE MONEY IS PROVIDED exclusively for renovation plans that lead to energy savings, like double glazing or insulation of the walls, not for new tiles in the bathroom," says Sümeghy. "Also, those who apply for a loan are obliged to make use of our construction-techniques assistance, the fee for which is included in the loan. We made that a precondition, because we know from experience that need for such advice is high and without it, people make wrong, often more expensive choices. For instance, many people think the only way to insulate windows is to install costly replacements, but there are other, much cheaper solutions that work very well too."

Because people have to pay back their loan, the program cannot target the poorest part of society, that is those who live on a minimal social welfare scheme. Unlike a micro business, home improvement does not bring extra income that can repay the loan. So credit conditions are probably stricter than they would be for small businesses, says Sümeghy. "Families need at least one minimum-wage job to take part in the scheme," he adds. In addition, before they get a loan, families have to prove they are capable of repayment, and they have to commit themselves to save a certain sum every month for half a year. Those monthly savings are equal to the regular installments they eventually will have to pay to the bank during five years. Those who skip this saving obligation twice, lose the right to a loan. "At present, the first 100 families are in the saving phase of the program," Sumeghy says.

VOLUNTEERS

FOR HABITAT, the microloan scheme helps to solve some of the problems that have arisen because of the financial crisis. Sponsors are far less eager to support projects and government support has dwindled. "Last summer, we were forced to stop new construction projects. We are now concentrating on renovation, for which there also is a huge need." Habitat helps individual homeowners, as well as owners of flats and inhabitants of social rental units. The organization is also involved in the renovation and extension of social institutions like homeless shelters. Recent projects include the reconstruction of such a shelter in Várpalota and home renovations in Budapest’s eighth district, where Habitat takes part in the Magdolna city rehabilitation program.

"After the change of system, most flats and houses in Hungary were privatized. Magdolna is one of the few remaining social rental housing units that is left, and like most of these units all over Hungary, the complex was in very bad shape,” says Sümeghy. "Volunteers now help to replace windows and install bathrooms in the apartments. Eventually, like in all other projects, the inhabitants of the apartments will have to pay back the costs of these renovations."

Our aim is to provide adequate housing for the poor.
Despite the economic downturn and uncertain recovery, many professional Hungarians are showing a “get-up-and-go” attitude and pursuing an MBA school to further their careers, says Zoya Zaitseva, global operations manager for the QS World MBA Tour, the fair’s organizer. “Instead of just sitting and waiting for a job offer to come by, many [Hungarian professionals] are taking out loans, passing GMATs, and walking the extra mile to join the best MBA programs. These are my favorites: smart, experienced – the average age in Budapest was very good last year – and motivated,” says Zaitseva.

It is not all hype; the tour is returning to Budapest a year earlier than originally planned due to the success of the 2009 event. When 250 budding MBA candidates flocked the stands and peppered schools with questions last March, it surprised all concerned. As a result, a number of schools are returning this year, including the WU Executive Academy of Austria, GISMA Business School of Germany, and IE Business School of Spain.

Laura Russo, from Milan’s SDA Bocconi School of Management, is another admissions officer paying a repeat visit to the Hungarian capital. SDA Bocconi places great emphasis on the value of diversity in terms of geography and culture among its students, and is keen to achieve “a well-balanced presence” of Eastern European candidates within its MBA program, Russo says. Further, she has found Hungarian applicants to be mostly “well-informed, solid, and mature. They are very willing to discover the Italian entrepreneurial spirit through their MBA, and easily adapt to a very international environment such as that provided by our school.” The result has been a band of “highly valued” Hungarian MBA alumni, which make the Budapest fair one not to be missed, she says.

But this year’s event is also attracting first-time schools to Budapest; one such is Duke University’s Fuqua School of Business, which is headquartered in Durham, North Carolina, but has several campuses around the globe. The Duke admissions team is “very deliberate” on how it chooses locations for MBA recruitment, says Daniel Nagy, associate dean at Duke. “Typically, we look hard at [relevant] data in a country, that is the number of GMAT test takers, their average scores, how many candidates are studying outside the US, and if the numbers look good, then we check with Duke alumni that have come from the country. The Hungarian alumni have been very passionate about their homeland and its potential for good candidates,” says Nagy (whose own grandmother was a Magyar immigrant).

But whatever the potential, Hungary remains a small, tough market for MBA candidates. “Hungary has been clearly hit by the crisis, with forint weakening and an unclear short-term future. But crisis times are always good in terms of taking a break and investing in oneself,” says Zaitseva. She is at pains to stress potential students should not be put off by money worries. As with Bocconi, many schools are interested in diversity in their classes. “Quite often they will do their best to help the successful candidate with scholarships and loans,” she says.

The 2009 event was a huge success.
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INTERCONTINENTAL
BUDAPEST
Imperative to his achievements today, Nastasi’s ambitiousness started young. “I have been an entrepreneur since I was 11 years old,” he recalls. “I had my first job in a deli, and I had that for three years. I always liked working.”

After the deli, Nastasi moved through the ranks at his family’s construction business, Nastasi and Associates, working as a trucker, carpenter, purchasing agent, and later buying the company with his brother, who he sold his shares to in 2008. Today, he owns a real-estate management company in Connecticut, property at a Florida airport where he is building hangars, a high-end architectural building supply company called Artexture+, which he intends to expand to Hungary, and a Hungarian-based construction supply company, L.E.S. Europe. “I am driven. When I start a business, I refuse to fail,” he says.

Although these are no trifling undertakings, tireless Nastasi has balanced his time in order to pursue other passions: music and racing, which he has even turned into business pursuits.

ON STAGE

Since he was 11, Nastasi has played and collected guitars—a hobby that inspired him to open his own guitar store in New York City and start a successful alternative/punk band called Martha Dumptruck. “I was in a band for a long time, toured, and had a record deal in the early ‘90s, which taught me quickly I didn’t want to be in the music business,” Nastasi says. Even with a record deal, he realized just how difficult it is to be financially sound as an artist. “All a record deal is, is a loan you don’t have to pay back if they fire you,” he explains. “Record companies put a million into people to tour, but until it’s recouped in record sales, the artists won’t see a dime of it. It takes a long time.”

More importantly, Nastasi also realized that he could either be fully invested in music or car racing, since they both require a great deal of time. It wasn’t long before he decided, “that’s it for the rock-star days,” he says. Nastasi recently sold his guitar store, although he is trying to regain part-ownership (“It’s the only thing I ever sold that I regret”), he still has a sizable collection of more than 50 guitars, and stays current with the music scene through his two recording studios and 11 rehearsal studios in New York City.

ON TRACK

After high school, Nastasi studied to be an auto mechanic and took a job on a race team. “It took me about two years to figure out I didn’t want to work on cars, I wanted to drive them,” he says.

“If I don’t win, I’m not happy.”
However, when he asked the Italian owner of the race team if he could drive, he was immediately fired. “If you ask to drive, it means you are not working,” Nastasi explains.

Being let go did not deter his desire to be in the driver’s seat, so he bought a car and started Nasti Boys Racing in 1989. As his racing experience grew, he branched out to new cars, including his favorite, a Porsche 962, which he got up to 210 miles per hour at Daytona. After the mid-’90s, when he was racing part time between music stints, he dove back into the sport in 2000 and started buying more race cars and having other teams prep them, including Blackforest Racing, which he became owner of last year.

With Blackforest, he’s raced factory-built Mustangs for three and a half years, with many victories, including winning six races and one manufacturer’s championship in the GRAND-AM Cup Series. Since the beginning of 2008, they have been helping to develop the new Dodge Challenger, which he raced at Daytona in February as a test run. “If I don’t win, I’m not happy, but it was a good test,” he says. What Nastasi does count as one of his best races was a 12-hour race at the Hungaroring, the Formula 1 track in Mogyoród, last October. He finished second in class, only behind the owner of the circuit. “It was great to have a podium my first time in Hungary. I plan on winning next time,” he says.

Not only does he plan on being a champion at the local track, he and his Hungarian wife, Gabriella – an architect with whom he just had a daughter, Izabella, in August – are designing and building a house that neighbors the circuit so he can be surrounded by the sound of other drivers. “I don’t care if I can’t see it, I just want to hear it,” he says. “I could listen to race cars all day.” To Nastasi, the sound of revving engines is soothing and inspiring, because it represents the European spirit of racing, which is unlike anything in the US. Its popularity is more akin to what basketball or baseball is to Americans, he explains. Here, there is more devotion to the sport, which fortunately for Nastasi, his wife shares. “For European women, her being married to me is like an American girl being married to a football player,” Nastasi says with a laugh.

**HUNGARIAN TIES**

**SINCE MARRYING HIS WIFE** twice (first in Connecticut in 2005 and again in Monte Carlo in 2007 so all international family could attend), the couple has split their time between Connecticut and Budapest. Since he already had US-based ventures, he knew he wanted to pursue a project in Hungary. “I’m an entrepreneur, so I have to figure something out to do wherever I am,” Nastasi says.

As a result, he launched L.E.S. Europe, a construction-supply company that sells products from US and European manu-

facturers, including drywall taping and finishing materials. So far, the company has taken off, Nastasi says, mainly because he’s been proactive in sending salespeople to job sites to educate buyers about the products, which have been previously unavailable or unused in this region. “The only hurdle was that whenever you bring something new to a market, you have to prove it works,” he says. “People don’t want to be the first person on the block to try it, but I was very aggressive in making sure that we went out and showed the products. I do that with all my businesses.”

Like his other endeavors, including racing, his most important means to success is risk management. In Hungary, this means he must pay close attention to the money market. “Having a business in Hungary with four currencies, I had to learn how to hedge and trade currencies, and I learned how to do it, because I knew that was part of risk management,” he says. “I’ve been very disciplined in teaching my guys risk management. It applies to everything I do.”

Despite opening his Hungarian business amid the economic crisis, he is confident he will be prosperous. “When I went up to the castle and looked onto Pest and saw all the cranes, I told my wife, ‘The only time I wouldn’t be able to do business is when the cranes come down, and the buildings don’t go up.’”

“I could listen to race cars all day.”
Outspoken rhetoric

If you had five minutes to speak to an engaged audience on any topic, what would it be? Or, if you had to give a five-minute impromptu speech on peas or another zany audience suggestion, could you pull it off? For the intrepid and inventive, two new events — Ignite Budapest and Gift of the Gab — allow people to move beyond the hypothetical and live out these questions in highly entertaining formats.

TURNING PROSAIC LECTURES on their heads, these two novel events invite speakers to present their manifold interests in comic or intellectually stimulating ways, allaying the local hunger for more English-language activities. “In both Ignite and Gift of the Gab, the speaker is free to choose their topic, which means people can share their passions with others and spend five minutes addressing a captive audience,” says Gretchen Meddaugh, an American expat who co-hosts Gift of the Gab. “These are chances to get creative, to face a fear, and enjoy the rush of living through it.”

I N D E A S I G N I T E D

ON AN EVENING LAST MAY, the cozy book-lined interior of Treehugger Dan’s Bookstore Café and Lounge was brimming with more than 100 spectators. Every folding chair was occupied, so people perched on staircases and gathered in the back of the venue, so as not to miss the debut of Ignite Budapest.

Throughout the evening, an eclectic collection of 14 crowd-pleasing speakers took the stage, performing humorous speeches like “The Slacker Diaries: The Philosophy of Shirking Work”, or more activism-inspired topics like “Power of Raw Food” or “Green CSR”. But instead of anything-goes presentations, there are strict rules Ignite speakers must follow. They can only talk for five minutes and must be accompanied by 20 slides that automatically advance every 15 seconds. “It’s learning in an enjoyable way, not in a lecture format,” says Steven Nelson, the Budapest Ignite organizer and host. This “info-tainment” format, as Nelson dubs it, ensures that no speaker drones on – a folly at many public-speaking events. Also, if audience members aren’t interested in a particular presentation, they can rest assured knowing a new one will be along in five minutes.

Nelson decided to start Ignite in Budapest after reading about it on a blog. Following the impressive launch turnout, he was encouraged to host another event in November. “It’s really nice to have something intellectual; people are hungry for that,” Nelson says. For speakers, the event is attractive since it allows them to talk about their pet projects and to practice public speaking, which is “pretty damn important if you have any ambitions,” says American expat and Toastmaster, Steven Carlson, who gave a presentation on Gypsy social networking at the first Ignite.
**Pechakucha**

**The Concept of Ignite** is a newer iteration of PechaKucha, a Japanese term for the sound of chitchat, and also the name for an event that began in Tokyo in 2003. The first event of its kind, it began as a creative way for young designers to meet, network, and showcase their work by giving presentations that included 20 different images on screen for 20 seconds. In the same vein, Ignite began in Seattle in 2006, slightly altering the PechaKucha format to 20 slides for 15 seconds, which ensures presentations move at a swift pace. The movement quickly proliferated and the event is now held in more than 60 cities across the world, according to the official Ignite website.

Unlike the Japanese equivalent, no particular themes have dominated the Budapest Ignite events, and Nelson sets few boundaries. “We try to avoid politics, sex, and religion, but everything else is fair game,” he says. The most engaging speeches are the ones with well-planned slides, Nelson adds. “It works best if the slides support the talk and vice versa. People tend to pay attention more, and it works best if the slides are simple and direct.”

Although Nelson has the privilege of seeing the slides before the speakers’ presentations, the actual focuses of the talks remain a mystery until they are in progress. “I never know what they will say,” Nelson says. “I see the slides, but I don’t know how the presentations will turn out.” Even participants in Presentation Karaoke – an amusing challenge in which contestants invent an off-the-cuff speech to random slides – won’t know what will happen until they’re doing it.

Anyone is welcome to speak at the event, and the bold can sign up on Ignite’s website, www.ignitebudapest.net. “We are always looking for people who will talk about interesting subjects. This will be a challenge for us as long as we have these events,” Nelson adds. The next Ignite event will be on March 3, as part of Global Ignite Week, where 60 cities will host at least 600 talks across the world between March 1-5.

**Gift of the Gab**

**After Enjoying and Participating in Ignite**, Budapest-based expats Mary Murphy and Gretchen Meddaugh decided that while they loved the concept and format of it, they wanted an event that had more regard for the audience. “It is a pervasive problem in the realm of ‘real-life’ presentations that speakers talk without much concern for what the audience wants – for example, to be acknowledged,” Meddaugh says. “Mary and I are both Toastmasters, so we spend a lot of time analyzing the effectiveness of speakers. Also, she and I were both poetry-slam enthusiasts before moving to Hungary, and it was Mary who envisioned a crossover between public speaking or presenting and the slam ethos.”

Thus, they modeled their “speech slams” in the lively poetry-slam format, which gives randomly selected audience judges the power to score original performances. “By selecting judges from the audience and encouraging audience response, speakers at Gift of the Gab have to deliver what the crowd wants,” Meddaugh says. Since September, there have been five open rounds of the competition. Each event features five contestants who perform twice. In the first half, they give a prepared speech that is four to five minutes long – speeches out of the time constraints are penalized in score. “The competition is fun, and it really adds a level of excitement,” says Nelson, who gave a speech on the jumping power of kangaroos during the October competition.

In the second half, the audience writes down any speech topics that they would like a contestant to speak about, and the competitors draw a suggestion out of a hat. Illuminating who is blessed by the blarney, competitors must instantly create three-minute extemporaneous speeches on their chosen topic. For some speakers, this can make or break the event, like for Carlson who was pinned with the “worst topic ever” on the rebirth of nature, he recalls. However, one speaker gave a riveting talk on peas, “proving a gifted speaker can entertain with even the must mundane topic,” Meddaugh says.

The best part of Gift of the Gab is the unpredictability, Meddaugh adds. “I love the energy and the fact that everyone in the room is taking part, not just the speakers and hosts. I’m also really happy to be part of something unique, to be a pioneer in the realm of interactive, do-it-yourself entertainment.” Champions from all open rounds will sound off against each other at a final competition on March 24 at the Cotton Club, check out the Gift of the Gab website: http://sites.google.com/site/bpgiftofthegab/home.

“People can share their passions with others.”
HERE ARE SOME NEGATIVE OPINIONS on Budapest often expressed by locals and not always admitted by foreigners.

“PUBLIC TRANSPORT IS LOUSY.”
Tends to be voiced by people who don’t travel much with public transport, but the Budapest situation is still very good, and recent changes even improved it. There are 253 bus lines, 35 tram lines, four commuter train lines, three metro lines, two ship lines, and three special lines (the cogwheel, funicular and chairlift). Cleanliness and the general condition of the vehicles is another thing.

“BUDAPEST HAS DWINDLED ITS LEAD.”
No doubt this is true for Hungary, and it can’t be denied with regards to Budapest either. The traffic situation, the virulence of the homeless problem, the emergence of 23 semi-independent districts with elected mayors – it all slowed down promising developments. But regardless, it is still a very pleasant place to live or to visit!

“BUDAPEST IS DIRTY AS HELL.”
A common woe of Budapesters, but not substantiated by facts. There are efforts to force dog owners to remove their pets’ waste. In Theresa Town, pretty enamel plaques were put on walls recently, saying: “Even Theresa Town dogs can’t clean after themselves!”

“IT IS A CULINARY DESERT.”
In light of the improvements in the last ten years, that is a ridiculous opinion. The problem is rather the lack of steady performance; a serious one, no doubt. But there are two dozen remarkable restaurants worth visiting, in every price category. The gourmet public opinion especially singles out Costes, Bock, and Olimpia, any of which might get a Michelin star or two in the coming years.

“CORRUPTION IS UP TO OUR CHIN.”
Unfortunately, that can’t be denied. Analysts say it robs the economy of its dynamism and nurtures anti-democratic sentiments. In most European countries, corruption serves to get a commission, but companies at least do a 100% job. In Hungary, the highest bidder might get the job irrespective of competence, and then lousy work brings additional costs for the public purse.

“THERE SEEM TO BE MORE HOMELESS.”
There are not just beggars but also a high number of homeless people sleeping and staying in public spaces in the center day and night. This phenomenon is very annoying for residents and tourists alike. Thanks to a kind of hypocrisy mixed with human-rights extremism, there is no action taken. Maybe extra support for specialized foundations and more shelters would be a first step.

“WE’RE NOT ON THE CULTURAL TRAIL.”
That is not true, not any more. For many years, the Budapest Spring Festival was the period when world stars of higher-end culture came to the city. But since 2004, when the Palace of Arts opened, there is a sort of continuous festival here. The appointment of new directors at the Museum of Fine Arts, the Műcsarnok, and the Ludwig Museum also made a marked change.

SOMETHING NEW: A RESTAURANT
While the crisis forced some fine-dining places to close, there are also new openings. Since 1992, the vintner/restaurateur József Horváth (called Ráspi by friends) operated a quality place in the small town of Fertőrákos, near the Austrian border. He opened his Budapest branch in early February, in an old café with an “upper middle-class grandma” interior decoration theme. The slogan “To create, to fascinate!” is written on a large blackboard under the day’s specials. Most of the flocking high-society first visitors agree that it needs some time to accomplish that. (Ráspi, Pest VII, Király utca 53)

SOMETHING OLD: THE IMMORTALITY OF A THERESA TOWN TAILOR
Budapest’s most venerable signboard is on a wall in Nagymező utca. It is increasingly dilapidated but authentic and reads: “Csík-Rend – Szabó Adorján, divatszabó.” The name refers to the fact that Adorján Szabó was a specialist of striped (csík) suits (rend). By an amusing coincidence, Szabó is also Hungarian for tailor (“divatszabó” means fashion tailor). He died in 1990. The sign was taken down, but later put back. (Pest VI, Nagymező utca 19)
This small hotel with a spacious garden was built at a very suitable location. The young and well-mannered “staff” of the hotel’s restaurant, perhaps a bit embarrassed by their own politeness, ask me what I have come for when I arrive. The menu offers Italian meals, obviously not on a trattoria level but, conforming to the hotel’s status, it merges Italian and international cuisines, and there are some very tasty home-cooked dishes as well.

This time, I am capable of having only two courses, therefore I can only make an incomplete judgment of the kitchen work here. For an appetizer, I ask for fried mozzarella rolled in prosciutto with panini. After a short wait, the plate with the beautifully fried, delicious-looking packages with the panini arrives. On one side, there is a generous pile of salad, on the other are the three prosciutto rolls under which I discover some fresh basil leaves as well. The salad is substantial; it comprises of torn lollo, valeriana, rucola, julienne vegetables, sliced celery, and cucumber. The spicy vinaigrette sauce gives the salad a pleasantly piquant taste. The panini, looking like crescent rolls, had been quickly roasted so they got a pleasant, somewhat smoked taste. It is a good dish with the perfect amount of basil for condiment.

The main course is fried pullet breast with saffron risotto. This dish was a conscious choice on my part, because if done properly and authentically, it tells a lot about the kitchen work. The almost all’ onda risotto with its nice, yellow tint is delivered in a deep plate.

The first niggle is the deep plate itself. If it were only filled with rice, there would be no problem, but in this case, I come across an unfamiliar piece of decoration – which looks like a ring made of thin pasta – under the pullet breast, which is cut in half along its length. The harmonious consumption of these two components is quite difficult.

But the risotto does actually contain saffron, which I believe to be notable. Because while it is frequently listed on the menu at most restaurants, it is much less often noticeable in the dishes themselves. The risotto’s texture is almost perfect. Had it been just a little bit crispier I would have been entirely content, but otherwise it was very tasty.

Sadly, the white wine had been used a bit too much during cooking, although this didn’t render the dish completely unenjoyable. The pullet, whose actual “pulletness” I will not debate, had a beautiful golden crust that made it aesthetically pleasing. But the problem was beneath that golden crust. According to my previous experiences, pullet is usually somewhat more tender than this one was, and above all, the meat was a bit overdone and tasteless, I must say.

Still, all in all, the risotto was very tasty and the cooking was good. So all the praise that the Bonfini restaurant is getting has a solid foundation.

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. After several visits, the restaurant is then rated an average on a ten-point scale.
A serious warning sign

As of January 1, 2010, Hungary is no longer a primary-focus country of the international medical and health-care company Johnson & Johnson, says Csaba Szokodi, general manager of Johnson & Johnson Hungary. As part of an international restructuring operation, the Hungarian medical-devices division has been subordinated into a regional organization directed from Prague. “Yes, one could say that the Hungarian unit has been downgraded in its importance, and that is a serious warning sign for the Hungarian economy and the health-care economy in particular,” Szokodi says.

When the international crisis struck, Johnson & Johnson needed to rethink its short- and mid-term strategies and started a worldwide restructuring, affecting 7% of the workload, he explains. Obviously, the company also had to be selective towards the CEE region, he adds, and the fact is that Hungary is no longer in the front ranks with countries like Russia, Poland, the Czech Republic, and Slovakia. “The competitiveness of Hungary has always been a serious issue for the company, and there is also the political division, the general mood towards foreign investments, and the situation in the health-care sector,” he says.

Don’t forget, Szokodi argues, that when the international crisis began, the Hungarian health-care sector was already deep into a crisis, so in fact, the company had a double hit. Already for years, the health-care sector is in serious trouble and in an unsustainable situation. In 2006, the then-government started with its restrictive budgetary policies, in 2007 pharmaceutical legislation was changed, including a 12% extra tax on pharmaceutical companies and the introduction of huge fees for sales representatives. There is ambiguity in the way state-owned and other hospitals and facilities are treated, no clarity on standards for modern medical technology, and there are huge human resources problems with doctors preferring to work abroad.

Johnson & Johnson Hungary weathered the storm reasonably well, Szokodi says, although it had to reduce staff and reorganize. Where 2007 was a difficult year with results going down, 2008 showed growth, as did the first half of 2009. But the second half of last year was negative again, so the 2009 end result was flat, Szokodi tells. “But then, the way hospitals are financed changed three times in 2009 alone,” he says. “The health-care sector has become entirely unpredictable and has just lost its attractiveness for growth.”

The result, Szokodi says, is that Hungary has lost appeal for Johnson & Johnson, and the company will concentrate more on developments elsewhere. The Hungarian operation has been grouped with the Czech Republic, Slovakia, and Romania, and will be directed from Prague from now on. “True, the company is not leaving Hungary, but it is what I would call ‘defocusing’ and that is very worrying, because it is a very strong and influential international company, watched closely by others, including its competitors. And I know of other companies – in the health-care sector and outside of it – considering something similar,” Szokodi emphasizes.

With parliamentary elections looming, many people have high hopes that the approach to the health-care industry might be changing, he adds. “There is serious debate about the health-care sector as an engine of the economy and not just a cost factor, and when I talk to macro-economists, most of them admit that it was wrong to pull money out of the sector and that this should be readdressed. But this is still words; we’ll have to see concrete government action.”
A happier new year for Hewlett-Packard

THINGS ARE LOOKING UP IN 2010 FOR SOME. Managing Director of Hewlett-Packard Hungary Gábor Hegedüs says things at HP in Hungary are definitely busier than at the beginning of last year.

Hegedüs explains that there’s been less impact from the crisis upon the service portion of HP’s local business and more of an impact on the products’ portion. “This year will be promising,” he reports, adding he feels optimistic regarding sales of his company’s services and that HP is busy creating different road maps to accommodate customer needs. “In past crises, enterprises were typically forced to cut their workforce. We’ve made only very slight adjustments to head count, and this is also due to the fact that our services are doing well.” He says HP is also implementing a different organizational structure. “We’ve split our sales and delivery forces. In our new enterprise business model, top customers get more attention in sales and from the consulting point of view,” says Hegedüs. “There’s also a dedicated team for small- and mid-sized customers.”

Globally, according to Hegedüs, HP has been branching out through acquisitions, which are also taking place locally. “Some major companies were acquired during the last couple of years,” he explains, citing EDS. “EDS became HP Enterprise Services last year, giving us access to a broader offering of services, competencies, markets, and people. It not only gives us a wider product portfolio, but also additional IT services,” he says.

“Hopefully we’ve touched bottom,” he adds, referring to the global economic crisis’s effects on Hungary. “Predictions and forecasts indicate some change.” Hegedüs believes Hungary’s small market is subject to the whims of global forces. “It’s a small market dependent on the EU and global markets. Hopefully in the next half of the year, we’ll see strong recovery potential from which we can benefit.”

But while some changes are occurring in the local job market, Hungary still has some plusses regarding shared service-center activities. “For other European languages than English we retain an advantage, like when it comes to French, German, Dutch, Flemish, or Spanish, in this part of Central Europe we still have a good labor market.”

Meanwhile, Hegedüs has expectations regarding the start of the new government after parliamentary elections this spring. He says that while within the last year the government has been good at managing the crisis, looking to the future has been neglected. “Now there must be room for thinking about how things should go ahead, for coming up with a strategy. It’s a unique opportunity to change things,” he says.

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UNDER THE TITLE “Why Orwell’s 1984 is not supposed to be an instruction manual”, CMS Cameron McKenna LLP hosted an AmCham morning seminar at its Budapest office on February 2. Speakers including Dóra Petrányi, partner with the law firm, and Márton Domokos, associate, spoke about the practical application of the Hungarian privacy laws, discussed some of the important developments taking place, and provided advice on the data-protection challenges faced by the industry in Hungary.

The main focus of their speeches was to explain how the constantly developing legal environment and the increasing privacy awareness highlight the importance of data protection compliance in all sectors. The legal practice demonstrates the need for reviewing the data-protection regulatory requirements and putting in place adequate procedures to manage privacy risks.

CMS Cameron McKenna is a full-service law office within the CMS alliance. The firm commenced operations in Hungary in 1989 providing local and international legal services.

Super Bowl Party

ON SUNDAY, FEBRUARY 7, T.G.I. Friday’s Oktogon was packed once again with about 100 football fans coming to watch Super Bowl XLIV, this time between the New Orleans Saints and the Indianapolis Colts. AmCham’s sixth-annual Super Bowl Party, lasting from 10pm until 3am, allowed fans to watch the game live on giant projector screens while also enjoying an all-you-can-eat menu and a special halftime live flair-bartending show.

In the first quarter, the Colts dominated the game and humiliated the Saints with a score of zero. But during the second, third, and fourth quarters, the Saints were dominating the arena. They were invincible, and the Colts couldn’t even get close to their superb playing, so finally, the Saints won with a score of 31–17, the first time the New Orleans Saints won a Super Bowl Championship.

Health care debate

THE THIRD AND FOURTH EVENTS in a series of debates on the main issues of the health-care sector were held on February 9 (which covered “What does it mean to be an independent doctor, the medical practitioner as economic entrepreneur”) and on March 2 (which covered “Possibilities to involve private capital in health care, ways of financing the sector”). The debates, an initiative of the AmCham Healthcare Committee, aim to facilitate solutions and compromises between experts in the field and politicians of the two main parliamentary parties. The first and second debates were held on October 13 and December 8. The outcome of the series will soon be published in both English and Hungarian.
IN HER FIRST ADDRESS AT AN AMCHAM BUSINESS FORUM, the newly appointed US Ambassador, Eleni Tsakopoulos Kounalakis, emphasized the need to enhance transparency and predictability in Hungary and to ensure a level playing field for all businesses. “I am excited to help you as you make your way through the bureaucracies, the red tape, and the too-often frustrating situations that I know many of you are experiencing,” Kounalakis told AmCham members on February 18 at the Budapest Marriott Hotel. “I truly believe that Hungary is a good place to do business, and the strengthening of commercial ties between Hungary and the US is not simply good for our nations, but is essential on many levels.”

A critical step in promoting these economic ties is to increase transparency in Hungary, she said. When US business leaders are confronting problems, Kounalakis encourages them to seek assistance from the embassy’s commercial service advocates and to, “communicate issues right away and not as a last resort.”

To stimulate new business between the US and Hungary, which is another priority of Kounalakis, the embassy is sending a series of local trade delegations to US trade shows. The first group went to the Consumer Electronics Show last month, and future groups will attend the National Restaurant Association Show and a medical trade show, said Kounalakis, a Californian who spent the majority of her career working in land development. Furthermore, she will work with companies to access credit and working capital from the Export-Import Bank of the United States and the European Bank for Reconstruction and Development.

“I am personally committed to the president’s vision of renewed international cooperation and am very pleased that Hungary and the US already enjoy an excellent relationship,” Kounalakis said. “It is one that is underpinned by shared values and dedication to democratic principles.”

Risks of the amended competition laws

AMENDMENTS TO THE HUNGARIAN COMPETITION LAW, which were enacted on January 1, were the subject of an AmCham seminar held on February 10 at the Hilton Budapest hotel in the Castle District. These amendments can have serious consequences for businesses, according to competition law experts Zoltán Hegymegi-Barakonyi, partner with Kajtár Takács Hegymegi-Barakonyi Baker & McKenzie Attorneys at Law, and Ádám Mattyas, partner with Andrékó Kinstellar Law Office. For example, a person who provides evidence during an investigation to uncover secret cartels may be entitled to a considerable reward. As a result, these regulations may provide substantial assistance to competition authorities in the prevention of the most serious violations of competition law. Simultaneously, this heightened sense of threat enhances compliance with regulations and the implementations of an effective system of control, such as the application of compliance programs and guaranteeing legal privilege (the confidential nature of attorney-client communications). Speakers also provided practical advice on how to manage the competition law risks.
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