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**Fig.1. AmCham members by country.**
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Resolutions

lose weight, find a hobby, and start taking yoga classes. These are your average New Year’s resolutions. We came up with our own set of self-made promises or goals rather, as the AmCham Board defined five key areas as part of our strategy for 2012. After a half-day brainstorming we agreed that these areas are the promotion of the positive role of multinationals, raising the profile of SMEs, drive R&D&I, advocate for predictability and work with the government on industry strategies for selected sectors.

You must have come across our recent projects that were already focusing on the above-mentioned areas, such as the study prepared by Századvég Gazdaságkutató Zrt. on the present and future of FDI, our educational SME series, the Innovation Position Brief (read more on this page 26) or other advocacy efforts. However, our members on the business climate and investment plans in Hungary and we are still collecting your answers as this issue goes to print.

We have been actively working on our Trans-Atlantic relationships this February both in Hungary and in the US.

I have attended the first Global Business Conference in Washington DC, organized by the US State Department, where Secretary of State Hillary Clinton announced that the State Department will introduce „Jobs Diplomacy”. In short, the USA will use diplomacy to accelerate economic renewal, by business promotion efforts through its diplomatic network, building economic information and analysis competence in the diplomatic network and by addressing three top priorities: (1) the National Export Initiative to promote exports and to combat non-tariff barriers, (2) increase inward investments to the USA and (3) create a level playing field for US companies competing against business owned, supported, or championed by foreign governments.

At the end of February we also hosted the US Congressional Delegation (see group photo of delegates and AmCham Board and Patron members above) who visited us on their European trip, looking for answers and collecting information on how the region is handling the crisis.
An old-new face on board

You might think that having already given 18 years of your professional life (and quite a bit of your private existence too) to an organization such as AmCham would be enough. But December’s annual assembly saw former CEO Péter Fáth return to the board. AmCham’s advocacy role, he says, is probably as important now as it ever has been.

ow director of stakeholder relations at GDF Suez, Péter Fáth explains that, “There are two reasons I came back. One, I thought I could help AmCham develop further in another capacity, and two, I also hope it will be helpful for my company.”

So what, in his return to the AmCham board, does he want to achieve as secretary treasurer? He makes absolutely no criticism of what has gone before, but rather says its successes should be built upon. “AmCham has an increased role in representing its members’ interests. I would like to achieve that AmCham is more active in advocacy, expressing its view in a well-based manner, as it always has done in the past.”

Having decided to stand for election, he felt the job that most suited his background was that of secretary treasurer. Fáth did not run for any alternate positions. “I very much hoped I would be elected,” he says with a laugh. “I had no plan B; I thought that if the members trusted me, they would vote for me.”

So how was the process of submitting himself to a public vote for the first time? “It was quite an interesting experience to see an election from the other side. Of course, many of the rules were laid down during my time as CEO, so I knew very well how it worked. I did not campaign extensively before hand, because I felt that might somehow be unfair; I just concentrated on what I hoped would be a good speech on the night. I am grateful that the largest AmCham members supported my candidacy before the election, and to everybody who voted for me at the general assembly.”

GDF Suez was not, prior to Fáth joining it, a member of AmCham, but he says the company did not take much persuading, and in any case, the decision falls within his job remit. “The company has been in Hungary since 1995, when it was part of the privatization process, and it is one of the biggest investors in the country, and certainly among the top five in AmCham: it has invested more than €1 bln so far. Big companies need a big voice: AmCham is the perfect match.”

Away from stakeholder relations, Fáth relaxes, as he always has, through photography (the photo shows him with the fastest lens ever made, a Carl Zeiss 0.33/40mm Super-Q-Gigantar, which sold for €70,000). He is a collector of old cameras, but somewhat ruefully admits that his knowledge and tastes have developed, along with his collection, over the years, and although he now knows exactly what pieces he wants at an auction, “others usually have a bigger wallet”. More time, therefore, is spent using his long lenses and modern equipment, especially in nature photography, and particularly in photographing birds in the wild. So much so, in fact, that he has been elected to the board of naturArt, the Association of Hungarian Nature Photographers.
On an upward spiral

An American with Hungarian roots, Frank J Klausz III starts his second term as an AmCham board member convinced U.S. business practices and Hungarian ingenuity are a relationship that can make a difference, and a marriage worth fighting for.

The man who is now Chief Corporate Development Officer of Telenor Hungary likes to joke that he has been living in Hungary for all of this millennium. What brought him here on 3 January 2000 was a telecoms project, but it was also a convenient excuse for trying on Hungary for size.

“My parents had escaped from Hungary, and though I had come back on a number of visits and really enjoyed it, I was curious to know if I had enjoyed it simply because I was on vacation, or because there was something special about Hungary; obviously it was Hungary itself,” says the 41-year-old.

Now married to a Hungarian, and with a 10-month-old daughter, he says living here has put him on “an upward spiral”. He came to connect with his roots and hopefully to make a difference, and the more he spends time here doing that, the more he wants to do it. “I was going to say I am becoming progressively more Hungarian, but I think it is just that I am realizing how Hungarian I always have been. There are so many great things about Hungary, and discovering more of them and feeling they are part of who I am has been quite an adventure. I believe in American ethics, in the way business should be done, but there is no question I consider myself Hungarian. That duality stays with me and I am proud to be part of seeing what AmCham can achieve because, if applied to Hungary, I think great things can be achieved.”

Klausz has been involved with AmCham Hungary for five or six years, having progressed from an individual to being a business, patron, and now a board member. “I saw AmCham as a chance to, firstly, build relationships and really get to know a number of companies. Secondly, in the U.S. I had been involved in community service, but in Hungary that’s not really that evolved, so I saw this as a chance to get involved in business and society and start working for its betterment. Now, I’m able to leverage a full team of Telenor employees to get involved in the work that AmCham is doing to make Hungary more transparent and competitive.”

Had anything surprised him about being a board member? “If I’m honest, it was how much AmCham is run like a business. This is not some rinky-dink association, but a corporation that just happens to be a not-for-profit.” It is greater than its membership alone, which is why it has survived for more than 20 years, he says, but remains very much “about people and its members. That impressed me, because it is a really professional and powerful group,” Klausz recalls.

He stood for a second term on the board because he says that, like AmCham itself, he is here for the long run. “While we did get a number of things accomplished during my first term, I believe there is a lot further to go. I want to help make Hungary a more competitive place; I want to help AmCham keep Hungary an attractive destination for investors through transparency and working to keep a level playing field.”

Improving transparency remains a big challenge, but so is increasing predictability. “I am fully infused into the fact that a new government needs to make changes, but I am looking forward to a time when we are done with the changes and can work with the government on implementing them.”

Does he share the traditional Hungarian trait of pessimism when it comes to the future? “I’m the perennial optimist, the glass is more than half full; that is just the sort of person I am. But I am not naïve, of course there are a lot of challenges, a lot of things Hungary – and Europe in general – have to deal with. Hungarians are a very resourceful people, nation and market, and have always found a way to make do, to work with what they are given, so I believe the future will be successful.”
Giving back for the common good

László György, GM of Cisco Systems Hungary, says working on the AmCham board is a way of giving something back to his country by serving the common good. And with a background that takes in private and public sectors, governmental relations, multinationals and SMEs, he has much to draw on.

AGENDA ITEMS LOOK AT WHAT WOULD BE MOST BENEFICIAL FOR IMPROVING THE COUNTRY’S COMPETITIVENESS [A KEY PART OF AMCHAM’S MISSION STATEMENT], NOT SELFISH INTERESTS.

László György has been involved with AmCham for 15 or so years, working on various committees since 2000, but first ran for the board in December 2010. “It was not a success, but it was good experience to see how hard you have to work for the appreciation of the members,” he recalls with a laugh.

For the past couple of decades, György has worked for a succession of multinationals (including IBM, Oracle and Ericsson), joining Cisco six years ago, and becoming general manager for Hungary in 2008. “I think I know the issues. I know government relations; I worked in the public sector for 10 years. I also know the subcontractors and their problems well, as all the multinationals I have worked with have used lots of local firms, I know the problems they face to be competitive, and to make the country competitive.”

He comes across as being far from boastful, but that’s not the end of what seems like an impressively long checklist. “I also worked in diplomacy [he was first secretary in Hungary’s embassy in Japan for four years], so I guess my negotiating skills are OK. Having worked with four multinationals in the IT sector, I guess my representation skills are OK. I am an engineer and an economist by training, so I understand the importance of making the economy work. In short, I think I bring different perspectives, and thereby I can help others as well, raising new aspects to reach good solutions for everyone.”

One key element of “making the economy work” is to make SMEs fit for purpose, not just to survive, but to thrive. “The entrepreneurial level is not very high here. Cisco runs an entrepreneur institute to train SMEs how to become more competitive, and Intel and Microsoft and others often cooperate on courses.” You could call it a form of Corporate Social Responsibility, but it isn’t pure altruism. Skilled, competitive SMEs help multinationals as much as a well-trained and flexible workforce does.

In particular, György wants to help all levels of Hungarian society better understand the true value of multinationals in the development of the country and its economy, and to help Hungary identify best practices to aid the integration of women, minorities and the disabled. “I had a disabled brother,” he says, “so this last thing is perhaps closer to me. It is something of a passion.” Indeed, he has a regional role for Cisco dealing with inclusion and integration.

Having been involved so long with AmCham, and having pursued his dream of joining its officials despite previous election defeat, has anything surprised him now that he gets to sit at the board table. “The organization is much more efficient than I thought it would be, which I am happy about, and the board is quite structured, which is very good,” he says. “Agenda items look at what would be most beneficial for improving the country’s competitiveness [a key part of AmCham’s mission statement], not selfish interests.”

The 55-year-old (“I look like a 54-year-old,” he jokes) is also impressed by the degree of work that goes in to preparing AmCham responses to draft legislation, but feels the government doesn’t yet give the proper weight to those responses. “But we should never give up finding ways to have meaningful conversations with government. The versatility of the [AmCham] board gives us a vehicle to find multiple communication channels to show that we can come together for the common good.”

Away from company and chamber business, his interests are his family (he has two sons studying for their masters at the Central European University) and sports and, wherever possible, combing the two simultaneously. He was an early adopter of windsurfing, and is vice president of the national association, and is also a keen motorcyclist. “We are already planning our next road trip to Transylvania in the spring,” he says.
Norbert Fogarasi was born and brought up in Budapest, but at age 17, his family moved to Canada. Now the general manager of Morgan Stanley in Hungary, he has played chess competitively for 25 years. He is good, but says learning to play at around 12 or 13 meant he started too late to become a "really strong player". To prove his point, he tells an anecdote, which also reveals much about the talent levels to be found in this country.

"Just before we left Hungary, I played in a chess tournament for the Budapest area and came sixth in my age group. A year later in Canada I won the national under 18 championships. I was good enough to beat everyone in Canada, but was only the sixth best player in Budapest, let alone the rest of the country. It was just at a different level."

And that, he says, is a typically Hungarian experience. All the talent that is needed to succeed is present, "that’s a major reason Morgan Stanley is here in the first place", Fogarasi says, but it doesn’t always have the direction it needs. That is something he hopes to improve.

"Morgan Stanley doesn’t have a presence in the local market really. Everything we do in Budapest serves London, New York or Asia. That’s one reason I want to raise our profile here. But every year we take some of the best students from the best universities in Hungary, the UK and the U.S., and put them through a very rigorous program. They are tested every couple of weeks, and the Hungarians are typically near the top. We have talents here that can hold their own against the best in the world."

The 38-year-old Fogarasi was elected to the board for the first time at December’s annual general assembly, his four-minute speech featuring, not surprisingly, a chess theme. He also talked about E3, improving the three ‘Es’ of education, encouragement, and entrepreneurship. The latter, in particular he says, is learnt rather than innate. A cultural shift needs to happen in Hungary, in part by improving the situation of the first two ‘Es’.

Having spent time working in America, Japan and the UK, the chance to return to Hungary came in 2007, when Morgan Stanley opened its Hungarian office. He had joined the company in 1999, and was asked to build up and head a group of 30 or so technologists in Budapest working on front office projects. From 2009 he ran the whole IT department, putting him initially in charge of 200 people, although that grew under his leadership to 350, and in mid-2011 he took over as general manager for Hungary, making him responsible for 800 employees. Although Morgan Stanley quickly joined the chamber, and Fogarasi attended a few events, he says he only became more deeply involved in the summer of 2011. The company, along with AmCham, founded the Women of Excellence Award in 2010, and last year he joined the jury that oversees it.

“What had always impressed me was the organization of AmCham, the clarity of communications was very impressive and the events, without exception, were useful and time well spent. I didn’t always get that feeling from attending the events of some other business organizations,” the GM says.

Now that he already has a couple of board meetings behind him, what has surprised him? The metaphor of the swan serenely crossing a lake, but paddling madly beneath the water, comes instantly to mind. “It looks very different from the inside,” he laughs. “From the outside, it all looks effortless. Working inside, you get to see just how much effort that requires, the day to day decisions that need to be made to run such an organization, knowing when to speak out and when not, even how to reconcile the diverse views of the board members, let along the 400 members.”

As mentioned at the outset, Fogarasi had multi-faceted reasons for standing. “I am finding it a very interesting experience just meeting other leaders like myself and spending time with them. It is very rewarding, and I know I have a lot to learn, in terms of improving my own skills and developing my personal networks.”
Q&A

Get involved

In the third installment of Inside Out, our series on long-term expats, we feature Steve Corwell, CEO of AES Hungary, a local affiliate of the U.S.-based global power company.

HOW LONG HAVE YOU LIVED AND WORKED IN HUNGARY?
I came to Hungary three years ago with my wife. It is our first experience of living outside the U.S.

WHAT MOST SURPRISED YOU ABOUT LIFE IN GENERAL, AND IN PARTICULAR ABOUT DOING BUSINESS IN HUNGARY?
Our time in Hungary has been extremely fulfilling. We laugh about the randomness of city life, the unusual things we see and experience. There have been many surprises, and most of them have either been pleasant or, at least, humorous. One such came shortly after I arrived. I was out running and somehow misjudged the terrain and landed on the side of my foot, breaking it badly enough to require surgery. I had already heard stories about Hungarian health care but little did I know I would so soon experience it first hand. Despite my pleas to return home after surgery, the doctor required me to stay overnight. That was a good thing since, if I had left, I would have missed the lady who popped into my “VIP” room trying to sell me shoes. All in all, I was impressed with the care I received.

Doing business in Hungary has also been an interesting experience. As AES has been in Hungary since 1996, I am fortunate to have inherited an extremely professional and dedicated group of people who understand how to navigate the expectations of a U.S. corporation against the business and cultural nuances of Hungary. It is also nice to have access to first class interpreters who have bailed me out of more than one tricky situation.

WHAT ARE THE BIGGEST CHALLENGES FACING A FOREIGN BUSINESSPERSON?
I believe a big challenge is to establish key professional and personal relationships that allow you to break through stereotypes, engender trust and make your stay most productive. In the case of Hungary, this can be particularly challenging given the language barrier; however, a big part of the fun is overcoming that.

In my first two years here I ran for, and was elected to, the AmCham Board of Directors. I believed that joining forces with Hungary’s business leaders, learning about the important issues facing business, and seeking solutions, I could make a difference. AmCham’s membership represents a talent pool armed with some of the world’s best practices and an eagerness to make Hungary a better place to do business. I see huge untapped opportunities for business and government to work more closely together in this regard.

WHAT WAS THE RÊSPONSIBLE FOR YOUR DECISION TO STAY IN HUNGARY?
Definitely. There are plentiful opportunities for business, entertainment, arts and recreation here in Hungary, and Budapest is a scenic and central location from which to explore. On the spur of the moment, we jumped on an overnight charter to the Arctic Circle in Finland and within a few hours were sleighing behind reindeer at -25°C.

WHAT ONE THING WOULD YOU CHANGE ABOUT THE COUNTRY?
I would seek to find ways to cut through the stamps and blue ink. Hungary knows more about my mother’s maiden name than I do. If she knew I was giving that out to strangers she would be mortified!

WHEN THE TIME COMES TO MOVE ON, WHAT DO YOU THINK YOU WILL MISS MOST ABOUT THE COUNTRY?
Each day provides a pleasant surprise or unique snapshot: the impressive fireworks on the Danube. A pizza box with instructions in 13 languages, none of which are English, a homeless guy who carves out a living by directing cars into coveted parking spaces on Nagymező, the formality of greetings, even on emails, long since lost in the U.S., drivers who recognize the need to stay in the right lane when they are going slow, “non-stop” dentists and the beauty and vibrancy of the city. I know my wife and I will long reflect with fondness on how fortunate we were to have lived here.
Business roundup

It isn’t necessarily all doom and gloom out there...

Compiled from Hungary AM’s news service

Engineering giant ABB has invested more than HUF 200 bln in energy and automatization projects in Hungary in the past 20 years, the managing director of the company’s local unit Tanja Vainio said at a press conference in mid-January. All five of ABB’s divisions are represented in Hungary. The company counts among its Hungarian business partners the Paks nuclear power plant, drugmaker Richter GeDeOn, oil and gas company Mol and electricity distributor Elmu, Vainio added. ABB opened the capital’s first charging station for electric vehicles, with equipment manufactured in Hungary, in January.

German carmaker Audi’s Hungarian unit had by December signed more than HUF 50 bln of orders with Hungarian building companies on the construction of a big addition at its plant in Győr (northwest Hungary), managing director for financial affairs in Hungary Johannes Roschek told journalists. The unit has so far signed contracts worth €200 mln for the €900 mln capacity expansion, and the majority were with Hungarian companies, Roschek said. About 70 Hungarian companies supply the unit in the area of engines and parts, but the start of production at the new capacity from 2013 will draw foreign suppliers to Hungary too, he said. Audi is in talks with the Hungarian government and the local council of Győr on establishing a suppliers’ park, but a decision on a location has still not been taken, he added.

Auburn Hills, Michigan-based automotive industry supplier BorgWarner Inc plans a 50% capacity expansion at its 13,400sqm turbocharger plant in Oroszlány (northwestern Hungary), Attila Bogár, the managing director of the company’s Hungarian unit BorgWarner Turbo Systems Kft said in January. BorgWarner also wants to raise headcount by 140 over the 700 at present, by 2015. BorgWarner’s plant in Oroszlány has turned out 2 million turbochargers since it was inaugurated ten years ago.

Ohio-based Dana Holding Corp, a supplier of driveline products (axes and driveshafts), power technologies (sealing and thermal-management products), and service parts, has added a distribution center in Győr, western Hungary, as part of its aftermarket expansion in Europe. The 6,039sqm facility, which became fully operational on February 1, receives parts from Dana production facilities in Belgium, Hungary, Italy, and Spain. “We are focused on building our distribution capabilities to best service our customers globally,” said Dana President & CEO Roger Wood. Dana has installed a new ERP system that will connect the new facilities with its existing distribution center in Crossville, Tennessee.

A HUF 10.6 billion development at the Debrecen Health Center in Hungary’s second-biggest city, was inaugurated in February by National Resources Minister Miklós Réthelyi, Hajdú-Bihar County government commissioner Róbert Rácz and Debrecen Mayor Lajos Kósa. The development involved the construction of a laboratory diagnostic center, as well as a central emergency, intensive care and internal medicine block. Several clinics were renovated and the conditions for live donor transplantation were also created.

EXAL Corporation, the Youngstown, Ohio-based extruded aluminum can maker, has reached an agreement to acquire troubled Hungarian peer Szenna Pack for €14 mln and pay off some of its debts, consultancy KPMG Hungária said in early December. Family-owned Szenna Pack filed for bankruptcy protection in July because of a poorly timed investment. Since then, Exal Corporation has agreed to buy Szenna Pack, take care of unpaid wages and bills, and repay 50-75% of loans backed by collateral and 10% of loans without collateral. The American company wants to continue production at Szenna Pack and keep its 120 workers.

Danish pump maker Grundfos will build a HUF 9 bln plant in Szekesfehérvár, its fourth in Hungary, Grundfos Magyarország managing director László Török announced. Grundfos will spend about HUF 4 bln to build the 15,000sqm plant in 2012 and 2013 and a further HUF 4.5 bln on equipment in the following years, Török said. About 400 people will work at the plant by 2015, he added. Grundfos will make giant industrial pumps at the plant, a new activity for the company.

HUNGARIAN BUS MAKER NABI SAID AT THE END OF JANUARY THAT IT WOULD RESTART PRODUCTION AT ITS PLANT IN KAPOSVÁR (SOUTHWEST HUNGARY) TO FILL AN ORDER FROM THE CITY OF LOS ANGELES. NABI WILL RESTART PRODUCTION IN MARCH TO FILL THE ORDER FOR 150 45-FOOT COMPOSITE BUSES. THE ORDER IS PART OF A GENERAL AGREEMENT SIGNED WITH THE LOCAL COUNCIL IN 2006. NABI SUSPENDED PRODUCTION IN THE MIDDLE OF LAST YEAR AFTER THE CITY STOPPED TAKING DELIVERY OF THE BUSES. EARLIER, NABI CEO FERENC LÉVAI TOLD DAILY NEWSPAPER MAGYAR NEMZET THAT THE COMPANY WOULD HIRE 100 WORKERS TO COMPLETE THE ORDER, WHICH WILL KEEP THE PLANT OPERATING UNTIL THE END OF 2012.

American pump maker Grundfos will build a HUF 9 bln plant in Szekesfehérvár, its fourth in Hungary, Grundfos Magyarország managing director László Török announced. Grundfos will spend about HUF 4 bln to build the 15,000sqm plant in 2012 and 2013 and a further HUF 4.5 bln on equipment in the following years, Török said. About 400 people will work at the plant by 2015, he added. Grundfos will make giant industrial pumps at the plant, a new activity for the company.
It expects most orders to come from Russia, Eastern Europe and South Korea. Grundfos Magyarország employs 1,900 people on a combined total production area of 65,000 sqm.

About €65 mln of venture capital and private equity was invested in Hungary in 2010, the HUNGARIAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION (HVCA) said early in February. The money was invested in 19 transactions. Earlier in December, on the 20th anniversary of its establishment, the HVCA had said that about $3.7 bln had been

invested in Hungary between 1989 and 2010. That money was invested in 420 transactions. Investors have already exited from transactions that money was invested in Hungary between 1989 and 2010. It was invested in 2010, the HUNGARIAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION (HVCA) said early in February. The money was invested in 19 transactions. Earlier in December, on the 20th anniversary of its establishment, the HVCA had said that about $3.7 bln had been.

IBM DATA STORAGE SYSTEMS KFT, the Hungarian unit of Armonk, New York-based IT company IBM, has completed a HUF 2 billion expansion of its service center in the city of Székesfehérvár (central Hungary). Speaking at the closing ceremony for the project, CEO Zoltán Takács said the unit would hire 250 more employees as a result of the expansion, which will service customers throughout Europe and North America.

computer parts, memory equipment and other telecommunications devices. Jabil Circuit Magyarország employs more than 6,000 people at an assembly plant in Tiszajáváros (eastern Hungary) and a further 1,100 at a production base that went bust in the fall of 2011.

The plant will make pre-cast concrete elements, mainly for civil engineering construction. Leier Hungária has eight production bases employing 750 people. In addition to the Hungarian market, the unit also exports to Austria, where building construction was not hit as hard by the crisis as in Hungary.

Texas-based product packaging maker MOTIVATING GRAPHICS is spending more than $8 mln to outfit a plant at a property it is renting in Komárom (northwest Hungary), managing director of the company’s Hungarian unit Ray Christopher Clark said in December. The plant is family-owned. Motivating Graphics’ first base in Europe: it will supply markets in Denmark, Germany, Romania, Slovakia and Sweden, Clark said.

SAMSONITE HUNGÁRIA, the Hungarian unit of Mansfield, Massachusetts-based suitcase maker Samsonite, has completed a HUF 765 mln expansion of its plant in Székszáréd (southern Hungary), the daily Népszabadság said. The investment is part of a HUF 1.5 bln expansion of the base in Székszáréd announced last fall to meet growing global demand for Samsonite products. The investment will include construction of a 1,800 sqm production hall and 4,000 sqm warehouse as well as modernization of nearly 8,000 sqm of existing production and office space. Samsonite Hungária said last autumn that it expected to manufacture 572,000 suitcases annually, up from 420,000 in 2010.

Hungary’s TRIGRANIT sold a 74% stake in four properties at its Millennium City Center development in Budapest at the end of 2011 to the American investment group HEITMAN EUROPEAN PROPERTY PARTNERS IV for almost HUF 45 bln, chairman Sándor Demján said. The developer retains the remaining stake and will manage the offices, Demján said. TriGranit said the sale of the stake in the combined 70,000 sqm of office space was the biggest property deal of the year.

UNISYS GLOBAL SERVICES HUNGARY will open a call center in Pécs (southwest Hungary) this spring, local news portal Pécsi Újság said in mid-January. Deputy mayor Peter Csizsi told the portal that the local council had now wound up negotiations with representatives from the Blue Bell, Pennsylvania-based company. The call center will employ about 100 people, he added.
Forint to weaken as funding talks drag on
by GABRIELLA LOVAS

In 2012, Hungary’s economy will be closer to stagnation or even a slight recession, than to economic growth.

Hungary’s economy expanded by 1.7% in 2011, according to preliminary figures released by the Central Statistical Office (KSH). GDP rose by a higher-than expected 1.4% in Q4 2011 compared to the corresponding period in the previous year. GDP growth was mainly due to agriculture and industrial exports.

In the first quarter of 2012, however, GDP growth is expected to fall back to around zero due to a slowdown in industrial exports, Concorde analyst János Samu says. In addition, the positive contribution of agriculture to growth, which was simply the result of a slightly better than average harvest in 2011 and a poor one a year earlier, will be missing this year. Recent stories, such as the liquidation of troubled national carrier Malév and the massive layoffs by Finnish handset maker Nokia will also have a negative impact on GDP growth, he adds.

The main drivers of the Hungarian economy, exports and domestic consumption, will continue to be weak this year. Hungary’s main export market is Germany, whose economy is slowing down, while domestic demand has refused to revive, despite efforts aimed at prompting just that, such as the introduction of the flat-rate 16% personal income tax.

Analysts agree that Hungary is likely to reach agreement, but think the talks will drag on. “Hungary first has to implement the required legal and institutional changes, as a precondition to the start of negotiations,” Samu warns.

In January, the EU initiated three infringement proceedings against Hungary regarding the central bank act, the planned lowering of the retirement age of judges as well as data protection (see cover story pages 16-19). The IMF and the European Commission received a request from the Hungarian authorities for possible financial assistance on 21 November, 2011.

The prolongation of the IMF-EU talks will probably weaken the forint rate, Samu says. However, once agreement is reached, the forint could stabilize at a level below EUR/HUF 290, he thinks.

STATE DEBT: UP OR DOWN?

“The government and the market clashed over the amount of state debt, whether it decreased or not during 2011,” says Buda-Cash’s Tóth. He points out that the gross central budget debt, which accounts for the majority of state debt, was up by HUF 900 billion to HUF 20,955 bln at the end of last year from HUF 20,041 bln a year before, according to figures published by the Debt Management Agency (ÁKK).

However, the weakening forint rate was behind the majority of the increase, Tóth stresses. The HUF/EUR rate, at which the foreign currency part of the debt was calculated, was HUF 270-275 at the end of 2010 compared to around HUF 315 at the end of last year. This led to a significant appreciation in the forint value of the foreign currency debt, which accounts for about 50% of the total. The state debt is estimated to be around 81% of GDP, Tóth adds.

INFLATION SOARS ON VAT HIKE

“We are getting further away from the central bank’s 3% inflation target,” says Tóth. He attributes the increase in inflation partly to one-off effects, such as the increase in the standard VAT rate from 25% to 27%. On the upside, demand side inflationary pressure will remain moderate. Samu believes that there is a good chance of reaching the inflation target in 2013.

Consumer prices in Hungary rose 5.5% year-on-year in January, accelerating from a 4.1% increase in December, according to KSH figures. Food, beverages and fuel prices boosted January’s 12-month inflation figure. Only consumer durable prices tempered the increase.
Classrooms for the 21st century

Around the world, educators and designers of learning spaces are rethinking the classroom and lecture theatre in pursuit of comprehensive spaces that incorporate user-friendly technology, flexible furniture and other tools that support active learning.

These changes are driving the adoption of active learning instruction models that create more collaborative learning environments, giving students more control over how they learn and from whom.

Generally, learning environments have not kept pace with these developments and too often educational institutions don’t support the flexible agenda of active learning. However, there is an increasing number of encouraging examples of how the concept of learning establishments is embracing the concept of creating flexible and collaborative spaces for students.

Today’s classroom needs to be multifunctional, flexible and comfortable.

Laptops, whiteboards and handheld devices have been added to the traditional tools of paper, pens and chalkboards. And a new generation of students, immersed in social, entertainment and learning technologies, expect a media-rich but hands-on classroom experience.

- give a platform to teachers’ engagement with the class
- apply easy-to-use technology
- allow to show your work
- encourage movement
- permit to see and be seen
- host flexible furniture
- do not look the same as before

Steelcase

www.steelcase.hu
OTP to surge on bailout agreement, analyst says

The surge in Hungary’s capital market at the beginning of 2012 was only temporary and maybe a little too euphoric. Only when the domestic macroeconomic issues are sorted out will the market see a more lasting upturn, market analysts say.

OTP could be one of the biggest winners of the upcoming IMF agreement due to the overall improving investor confidence, decreasing political risks and expected yields, says Fazakas. If agreement with the IMF-EU is reached, the forint could further strengthen somewhat, which could reduce lending costs, too, he points out. In addition, the extra burdens on the Hungarian banking sector will be eliminated in 2013 or 2014. Buda-Cash sees significant growth potential in the long-term due to expansion in the regional markets, especially in Russia and Ukraine, as well as to potential acquisition opportunities.

The current OTP price level is attractive both in an historical and a regional comparison, Fazakas says. Buda-Cash foresees a potential increase of 45-75% in the stock price from the levels seen at the end of 2011, which translates into a HUF 4,500-5,500 target price.

On the downside, the shares of OTP and mortgage bank FHB are adversely affected by the early repayment scheme and other FX loan rescue packages, as well as by deteriorating retail and municipality loan portfolios. The current economic environment will ensure lending is depressed in Hungary for years to come.

Egis share prices are expected to move closer to their historical price level with a one-year target price of HUF 21,800, Buda-Cash believes. The current price is significantly below both the sectoral average and its historical level. Fazakas points out that Egis operates in a crisis-resistant, defensive sector and the company’s export markets are stable with Carl Zeiss 0.33/40mm Super-Q-Gigantar relatively good performance, while the market has already priced in the risks related to the domestic market.

Egis foresees stagnating revenues in the business year started 1 October, based on last year's exchange rates. Revenue is expected to rise by 0-2% only in the 2011/12 business year. Egis sees domestic sales falling 8-10%, but stands by its projection of a 10-12% sales growth in the CIS. Turnover in Eastern Europe will fall 3%, but Egis puts sales growth of both finished products and active ingredients in the rest of its export markets at 0-5%.

Investors see the 25% state holding in oil and gas company MOL as a slight setback, according to Equilor analyst Ákos Kuti. In addition, the refining environment faces significant challenges. Packaging state-owned MOL shares into convertible bonds would stir up the market, Equilor suggests. This would ensure new funds for the governments, while allowing it to retain its shareholders’ rights.

The elimination of the sectoral tax for 2013 is certainly positive for Magyar Telekom. The company would also welcome a decrease in government security yields. Currently, a major risk is the launch of a new mobile provider, although this is expected only in the second half of the year.

A consortium of state-owned Magyar Posta, the Hungarian Electricity Works (MVM) and a unit of the Hungarian Development Bank (MFB) successfully bid for a 5MHz frequency block in the 900MHz band at auction, making it the fourth player on Hungary’s mobile telecommunications market. The three mobile telecommunications service providers, Magyar Telekom, Telenor Magyarorszag and Vodafone Magyarorszag, also won frequency blocks in the auction.

Analysts agree that small shares on BSE, even those with strong fundamentals like Graphisoft Park, E-Star or Zwack, are not expected to attract much interest in 2012.

Among the smaller stocks, Fotex is one of Equilor’s favorites. The stock price of the Luxembourg-based Hungarian asset management company fell to levels unseen since the beginning of 2009. Equilor believes that the current market price, at around HUF 300, does not reflect the real value of the company. The market value of the real estate portfolio held by Fotex comes at HUF 1,200 per share, while its book value is at HUF 450. This will surely attract market players sooner or later, Kuti notes. On the downside, the free float is low and the company is highly indebted.
Life after Malév

by ROBIN MARSHALL

Distressing as it was for passengers who lost their flights, disturbing as it has been for those who are seeing their jobs axed, and disrupting as it has been for the operators of Budapest airport, the biggest losers from the collapse of Malév Hungarian Airlines seems likely to be the government, and therefore, ultimately, the Hungarian taxpayers.

In the short-term, the easiest problem to solve is coverage for the short-haul flights. Within days, if not hours, low cost carriers such as Ryanair and Wizz Air were making a grab for a slice of the suddenly vacant market.

Budapest Airport Zrt., the operator of Liszt Ferenc International Airport Budapest, is potentially in line for millions of forints in compensation from the government over lost business. The airport handled 8.9 million passengers last year, 3.2 million of them Malév customers, BA Zrt. said. “Passenger recovery can be supported by the Hungarian authorities immensely by removing obstacles preventing airlines from picking up lost Malév capacity,” the operator stated in a press release. “For example, there are four regulated agreements which allow only one Hungarian airline to fly routes to Turkey, Israel, Russia and Ukraine. On flights to and from these destinations, only Malév had the right to fly, therefore hundreds of thousands of passengers will not get this chance until there is increased capacity from either the other country’s designated airline, or from a new designated Hungarian airline. It is important that the Hungarian authorities move quickly to close these gaps; otherwise the road to recovery will be much slower.”

But the near universal reaction of tourism experts to whom Voice spoke was not surprise that Malév had collapsed so much as intrigue that it had survived as long as it did. It is telling that, over the years, pretty much every major airline has looked at buying into Malév before walking away from any deal. The one exception was Italy’s Alitalia, which entered into a partnership with Malév in December 1992 that gave it 30% of the shares in the Hungarian airline.

The stated aim was to develop Budapest as a gateway between Eastern and Western Europe, but within a few years the EU had forced the Italian carrier to give up its shares as a trade off for getting acceptance of a state funding deal.

With the market unwilling or unable to invest, all that was left was the Hungarian state. Repeated governments have found themselves forced to bail out Budapest Transport Company (BKV) and Hungarian Railways (MÁV). But much as Hungarian public opinion would seem to back such a move with Malév, the EU again intervened, effectively blocking any help. The European Commission ruled in January that the airline must return the equivalent of $390 million in government aid dating from 2007 to 2010. Malév collapsed with debts of HUF 60 bln ($270 million), halting flights on 3 February 2012 after 66 years in operation.

Ultimately, the government has been forced to abandon an outdated business model says Thomas A. Tass, executive director of Borderpol, a worldwide organization supported by various governments and private sector institutions that researches and advises border services on cross border issues; he was for several years based in Hungary.

“Over the past 20 years very few airlines anywhere in the world have been able to make a profit,” says Tass. “Since governments the world over began meddling in commercial aviation in order to boost revenues through various subsidies, fees, regulations, etc. the business model for airlines no longer makes sense. Malév is a casualty of this and some of its own self-inflicted wounds. The fact is travel by air is expensive and is not, and never was, a viable ‘public’ transit system for the masses.”

Ambassador Péter Kraft, head of AmCham’s tourism working group, agreed that an uncompetitive state-owned operation is not the answer. “National carriers have disappeared over the last 10-20 years; that has been the trend. A replacement national carrier would be welcome, but the key issue is that it is competitive. It is unfortunate for the people who work for Malév, but if anything it is a regret that this didn’t happen 15 years ago. It has cost the Hungarian taxpayer a tremendous amount, hundreds of millions of dollars.”

Should the government try to create a replacement for Malév, or leave it to the markets? Kraft is in no doubt. “Absolutely, let the market find its own answers. I would look forward to seeing some Hungarian market players form a carrier that is competitive and aggressive, but not one that would cost the Hungarian taxpayer any money.”

Gergely Horvath, CEO of Hungarian Tourism Plc., believes there is a long-term need for a national airline, “because a national carrier could operate as a regional hub, providing better long-haul flight connections to Hungary. Low cost airlines can fill the hole on the market only partly, as they are willing to operate only profitable flights. Therefore a national carrier would have a significant role in providing reliable flight connections to Hungary from those European markets that are important to the country from a tourism point of view.”

He added that Hungarian Tourism Plc. was working with trade organizations, Budapest Airport and other partners to analyze “how the undoing of Malév may impact incoming tourism in Hungary. The company does not intend to make statements about this before proper data and related analyses are available. It can be seen already that though the situation causes some troubles, it does not seem to be disastrous concerning tourism flows to Hungary in the long run.”

As BA Zrt. said, “There is life after Malév.”
Good news, bad news
by ROBIN MARSHALL

The good news is that AmCham feels it is now talking to the right people about changes to the new law on data protection. The bad news is that those changes might yet be a year away from implementation.

AmCham’s regulatory committee has been using the data protection issue as a pilot project for its negotiations with the government through the strategic partnership agreement it signed a year ago with the Ministry of Public Administration and Justice (KIM). Finding a navigable passage that works for both parties has inevitably led into some choppy waters says advocate Balázs Fazekas, who has acted as the operational lead for the committee on this subject, but the way ahead now appears somewhat smoother.

“At the end of January we finally had a meeting with two officials in the ministry who are really professional, well educated, knowledgeable people who were involved with drafting the law,” explains Fazekas. “That meant we could go step-by-step through our points with them, explaining why we thought the way we did, as could they. The good news is that finally KIM had delegated the right people to talk to us at a professional, rather than political, level. The bad news is that whatever is in the law is there intentionally, not by mistake, or because our comments didn’t get to the right people. In fact, they said they read our comments back in June, considered our proposals, understood what we were saying but took a different view,” Fazekas says.

The officials indicated that the ministry wants to give the new data protection authority some time to bed in, and for them to collect data and impressions on how it, and the new act, are functioning. The advocate suspects that it will be at least a year before such a review is conducted. In other words, now the regulatory committee has found the right people to talk to, it must convince them over time with the strength of its arguments. In that sense, even the bad news is good news, after a fashion. “I think it is very positive that KIM remains open to us. If we have issues we can talk to these people. It is very positive that we have met these officials.”

DATA PROTECTION REFORM

On 25 January 2012 the European Commission proposed a comprehensive reform of the EU’s 1995 data protection rules to strengthen online privacy rights and boost Europe’s digital economy. Technological progress and globalization have profoundly changed the way data is collected, accessed and used. In addition, the 27 EU Member States have implemented the 1995 rules differently, resulting in divergences in enforcement. A single law will do away with the current fragmentation and costly administrative burdens, leading to savings for businesses of around €2.3 billion a year, the Commission estimates.

Its proposals update and modernize the principles enshrined in the 1995 Data Protection Directive to guarantee privacy rights in the future. They include a policy communication setting out the Commission’s objectives and two legislative proposals: a regulation setting out a general EU framework for data protection and a directive on protecting personal data processed for the purposes of prevention, detection, investigation or prosecution of criminal offences and related judicial activities.
From the beginning, Fazekas says the committee wanted to avoid any areas with a political dimension, such as the thorny question of the independence of the data protection authority (see separate article on pages 18 and 19), and concentrate on professional interpretation of the law. It also sought to support its arguments not only by referring to the relevant directive, but also with examples from other EU states, Commission decisions and publications of the Article 29 working party, which is an advisory body to the European Commission featuring data protection experts from all the members of the EU.

The committee focused on three areas in particular.
1) How data is controlled.
2) Transfer of data to third countries outside the European Economic Area (EEA).
3) The prohibition against data controlling contractors hiring sub contractors.

“The new law actually makes life easier in terms of the titles under which data is controlled,” says Fazekas. “It is a very important step forward from the old law. We would like to see some minor changes, but we can live with what we have for the present.” The other two areas are somewhat more problematic, however.

If you want to transfer data to a country outside the EEA, such as Israel or Australia, you can only do so if that country appears on an EU approved list, published on the Commission website, if you follow an EU approved so-called “model contract” to the letter, or if you, as a multinational, draw up Binding Corporate Rules (BCR), essentially an internal policy document that operates across all your businesses and is approved by the data protection authority in the relevant EU state in which you primarily operate.

“This BCR was theoretically available under the old law, but not the new. We think that is strange. The officials said the old system was not actually legal and that they wanted to develop a better functioning solution, but hadn’t had time to do so – it is a complicated matter because in their view its implementation requires not only Hungarian legislation but also international agreements – so for the time being it is intentionally missing from the law.

“That is sad because if you read the EU Commission draft legislative proposal on the reform of data protection, you will find the Commission wants to rely on BCRs more and more, that it believes it will be an ideal solution in a dynamic world because it is very flexible and cost effective. So, just as the EU decides to use it more, Hungary drops it. I understand KIM’s arguments as a lawyer, but this is going against the EU trend, and that makes us look a little silly.” There is also, he points out, plenty of European experience that could be drawn on to put a workable law in place now.

The question of sub contractors similarly puzzles Fazekas, not least because it makes commonly used practices by “cloud” based service providers or BPO operators offering services as a group illegal under Hungarian law. AmCham’s data protection advocate says the KIM officials insist that the current European directive prohibits contractors engaged with data processing activities from using sub contractors.

“My feeling is that even if Hungary interprets it that way, it is indicative that no one else does, not one EU country or the European Commission itself, since it has a whole chapter in its decision dedicated to how to deal with sub contractors, how the relationship should be formulated between processors and sub-processors. KIM is open on this, however; the officials have asked us to supply further arguments and examples from other countries.” According to Fazekas, Hungary’s data protection laws being overly strict may even give rise to an infringement procedure against Hungary, as recent action against Spain suggests.

Fazekas says AmCham raised other points, including a request to relax the new registration requirement imposed on telcos, utilities and financials, which was not a requirement earlier and which is viewed as an overly bureaucratic burden by a number of the chamber’s members.

AmCham’s next step in convincing KIM of the need for change will be debated at an upcoming regulatory committee meeting.

**TREND SETTER**

Hungary’s original data protection act dated back to 1992, and was a pioneering piece of legislation, as attorney Balázs Fazekas points out. “It appeared well before the EU directive, which followed in 1995 [at a time when less than 1% of Europeans used the internet], and before many western European countries had any legislation in place. It was acknowledged as really well developed and thought out and brought huge respect for the country and those involved with the act. But that was 20 years ago, and it was time to step forward with new legislation. It was given a major overhaul when Hungary joined the EU, but in essence it didn’t change that much, and it was never 100% compliant with the directive, being generally more strict.”
The President of Hungary’s new National Authority for Data Protection and Freedom of Information (NAIH) is confident the authority is more independent than the ombudsman’s office it replaced.

The rights of investigation of the NAIH and the former ombudsman are very similar, says Dr. Attila Péterfalvi, who actually held the latter office from 2001-2007, but he believes the fact that the authority makes compulsory decisions in data protection (though not freedom of information) cases gives it more power. It also, for the first time, has its own section in the state budget, and the act under which it operates is closer to existing EU regulations and the draft Data Protection directive, he adds.

The Parliamentary Commissioner, as the ombudsman role is more properly known in Hungary, was appointed by a two-thirds vote of Parliament. The head of the authority, however, is appointed – and under certain circumstances can be removed – by the President of Hungary alone, at the suggestion of the Prime Minister.

“I think both solutions fit European legislation,” Péterfalvi told members of the Hungarian International Press Association on Tuesday, 7 February. His deputy, Dr. Endre Győző Szabó, pointed out that the EU seemed to share that view, both now and in its draft data protection laws. “The new legislative proposal by the European Commission also mentions that the head of the authority may be appointed by parliament or government,” he says.

The fact remains, however, that the EU is not entirely happy with Hungary’s new data protection regime. Following several exchanges with the Hungarian authorities on the drafts of the new legislation… the Commission has now concluded a detailed legal assessment of the new legislation adopted at the beginning of January.

For the Commission, the Hungarian legislation conflicts with EU law by putting into question the independence of the country’s central bank and data protection authorities and by the measures affecting its judiciary.”

In the specific case of the data protection, the EC said it was unhappy at the way the then current ombudsman’s role (he was appointed in 2008 with a six year term) had been cut short. “The new rules also create the possibility that the prime minister and president could dismiss the new supervisor on arbitrary grounds,” the EC said. “The independence of data protection supervisors is guaranteed under Article 16 of the Treaty on the Functioning of the EU and Article 8 of the Charter of Fundamental Rights. In addition, EU rules on data protection… require Member States to establish a supervisory body to monitor the application of the Directive acting in complete independence…. The [European] Court [of Justice] underlined that data protection supervisory authorities have to remain free from any external influence, including the direct or indirect influence of the state. The mere risk of political influence through state scrutiny is sufficient to hinder the independent performance of the supervisory authority’s tasks, the Court ruled.”

Hungary seems willing to move. On 6 February, the Bloomberg news wire quoted the Fidesz-friendly conservative newspaper Magyar Nemzet, itself citing “unidentified people with knowledge of the issue”, as reporting that “The Cabinet of Prime Minister Viktor Orbán will redraft the law on the data protection agency stripping the premier of the right to dismiss the head of the agency.”

Szabó told HIPA that he saw no need for such a change, arguing that the power of recall was limited to specific areas, such as in a sudden and unexplained rise in the income of the president of the authority (published, along with that of the vice president, on the NAIH website). “In my view, since it is clear in the Hungarian legislation that this is not specifically about dismissal of the president, but about a practice present in Hungary for many years, I don’t see the need to change it. But if this [EU-requested change] element is passed by Parliament, that I will of course accept.”
Earlier, Péterfalvi had insisted that the new authority was both independent and strong. "Our values are European values and we are in agreement that we should be independent from political influence; it is absolutely necessary, and I have to declare that our authority is a totally independent authority."

An important pillar of that freedom from influence lay in its financial structure, the president said. "The budget of the new authority is an independent chapter of the state budget," he pointed out. Previously, the budget for all four ombudsmen had been lumped together.

He described NAIH as "a real authority", and one that in certain cases was more powerful than the old parliamentary commissioners, in that its decisions have more teeth. "We have the same rights to investigate that the former ombudsmen did but now our decisions are obligatory, if it is a formalized investigation. That is why I say the authority is stronger than the ombudsman’s office was before, but the rules on data processing rights are very similar."

Another advantage highlighted by Szabó was that, with the PM recommending the head of the authority to the President of Hungary, and the President making the appointment, rather than having to get the support of two-thirds of parliament, the mechanism for finding a replacement should mean a smoother handover. The old system, for example, did not allow for the outgoing ombudsman to remain in post in an acting capacity until a replacement was appointed, leaving periods of several months with no one in office at all. The new system avoids that interregnum period, Szabó said. "If you look back, you may feel it is quite a practical decision. Parliament was not able to smoothly elect a new commissioner."

One area where the ombudsmen did have an advantage was in speaking directly to lawmakers. As an officer elected by MPs, he had a seat in parliament and the right to speak in committees and even parliamentary debates. While the later will remain out of reach, Szabó hopes his boss will at least be able to talk to the committees soon. "Modifications to the recent legislation will give the head of the authority the right to speak in Parliamentary committees," he explained. Given that the authority clearly has an interest in any legislation touching on data protection and freedom of information areas, it makes sense to allow it to air those as soon as possible in the legislation drafting process, he said.
Local food and wine get to shine

Hungarian wine is the focus at this six-month old restaurant, where they serve more than two-dozen local vintages by the glass and loads more by the bottle. But it’s impossible to ignore the excellent food.

Like the wine list, the à la carte menu changes regularly, using seasonal ingredients in attractively prepared dishes that are as pretty as they are tasty. Watch for their winter cabbage soup, tangy and spicy and enhanced by subtle hints of root ginger. Main courses can include a deliciously tender duck breast with a side of pear and squash marmalade and layered potatoes baked with Gruyere cheese, or occasional Asian dishes, like Tandoori chicken with red lentils and zucchini. The excellent house coffee – a blend of Semiramis beans roasted fresh daily – complements deserts like saffron crème brûlée.

Dinner or lunch feature the same choice of at least three starters, three mains and as many desserts, priced at Ft2,900 for two courses on up to Ft5,500 for five. A simple lunch menu of mostly traditional Hungarian fare is available every weekday at Ft1,290 for two courses and Ft1,590 for three.

It’s served with pride and professionalism inside a tall airy space that has striking gold wallpaper and black-and-white tiled floors yet is more relaxing than you might expect from that colour scheme. But back to the point of the whole meal, the wine. The personable sommelier will recommend the right vintage for every course of your meal. Wines are reasonably priced, at anywhere from Ft550 for a glass of 2009 Szent György-begyi Olaszrizling to Ft850 for a 2007 Villányi Cabernet franc (Ft5,500 by the bottle). Featured wine regions include Villányi, Mátra, Balaton (north and south), Etyek, Somló, Sopron, Mór and Tokaj.

If you’re more into drinking than eating, try the Ft1,790 wine menu, which includes three glasses of wine and an assortment of tapas served with house-made bread. If you happen to find a wine you like, they also sell bottles to take away for a mark-up of 10 per cent above the wine cellar’s asking price. And watch for Curia’s frequent wine-tasting events, which are usually served with a buffet or à la carte dinner.

V. Ferenciek tere 2 (782 5060/ www.curiavendeglo.hu)
M3 Ferenciek tere/bus 7, 173.
Tue-Fri noon-midnight; Sat 7pm-midnight. Credit MC, V.

TIME OFF

NATALIA LL OPUS MAGNUM

There has been something of a drought recently of international art stars exhibiting in Budapest, so this show of well-known Polish neo-avant-garde artist, Natalia LL, is most welcome. It also feels like a long time since there’s been anything substantial to see in the Ernst Museum: the preceding show by Ilona Németh featured a film screened in the ground floor hallway explaining why she decided not to exhibit in the main exhibition space after all. ‘Opus Magnum’, as the title immodestly suggests, is a retrospective of Natalia LL’s most important work from the early 1970s until today, consisting mostly of photographs and video documentation of performances. Billed by the museum as “one of the world’s most important feminist artists”, the hot topic of conversation among post-feminist critics at the opening was whether her most famous images were originally meant to be erotic and whether they still have the power to shock audiences. A favorite eye-catching cover picture for books on Polish conceptual art of the 1970s, the film and photographic series Consumer Art, show the artist fellating a banana, in a work that is usually explained in terms of a critique of the lack of consumer goods in communist Poland, with the tropical fruit representing the unattainable object of capitalist desire.

Natalia LL has continued along this fruitful path of artistic enquiry, carving out a niche within the genre of body art for her personal branch of sex-obsessed conceptualism. The oddly pre-dated ‘Velvet Terror’ (1970) shows the artist as a middle-aged dominatrix in a three-by-three-meter photographic block that overlooks the main exhibition space of the Ernst. The series of photos ‘Artificial Photography’ show the artist’s parallel interest in formal experimentation, with double exposure used to engineer ambiguous sexual situations in an armchair.

Through March 18.
Ernst Museum
VI. Nagymező utca 8
(341 4355/www.mucsarnok.hu).
M1 Opera. Tue-Sun 11am-7pm.

SPRING FESTIVAL

The capital’s annual smorgasbord of classical music, the Budapest Spring Festival, is less sumptuous during these tight economic times,
but the diet seems to have done some good. While last year’s program was a bit scrappy and eccentric, the slimmed-down budget apparently forced organizers to keep more focused when planning this year’s 32nd annual festival, which runs March 16-26. The decreased financing also seems to have encouraged a relative increase in Hungarian performers, but that’s not a bad thing, and there will still be plenty of top-level foreign acts. Sadly, the one local act missing will be the Budapest Festival Orchestra: Hungary’s most highly regarded orchestra will be in Paris and will not make the Spring Festival for the first time in memory.

The shows are taking place in 11 different venues around the city, and tickets sell out fast, so book early. The finale is already sold out. Some interesting highlights…

**OPERA**

Opera offerings include two new productions. Richard Strauss’ ‘Arabella’ is by turns thought-provoking and delightful, and the Hungarian State Opera’s recent Strauss offerings have been impressive, so we are looking forward to their premiere of this show. It stars the State Opera’s Eszter Sümegi as Arabella. The other Hungarian premiere is a semi-staged version of Handel’s ‘Hercules’, with talented Hungarian György Vashegyi conducting the Orfeo Orchestra and the Purcell Choir; the singers are with the Hungarian State Opera. The festival is rounded off with a revival of the State Opera’s production of ‘La Traviata’, which has been in the company’s repertoire for a few years.

*Arabella* 6pm Mar 17;  
*La Traviata* 7pm Mar 25  
**Hungarian State Opera VI. Andrássy út 22**  
(841 7100/ww.opera.hu).  
*Hercules* 7pm Mar 21.  
**Palace of Arts X. Komor Marcell utca 1**  
(555 3300/www.mupa.hu).

**DAY OF DRUMS**

March 18 is ‘Percussion Day’ at the Palace of Arts, with shows on the complex’s various stages. It begins upstairs in the Festival Theater at 11am with a ‘family concert’ from Amadinda, the Ferenc Liszt Academy graduates who use percussion on odd instruments to make classical music more accessible. At 12.30pm on the outdoor stage of Zászló tér, and at 6.30pm in the Festival Theater, Sara Gómez and Maika Gómez (the Ttukunak duo) play the txalaparta – a large Basque percussion instrument. The highlight of the day may be the 4pm show in the Palace of Art’s main concert hall, where Zoltán Kocsis conducts his National Philharmonic and gives a rare demonstration of the piano virtuosity that launched his career. Kocsis conducts and performs during a concert that features Bartók’s ‘Sonata for Two Pianos and Percussion’ with Ingrid Fliter on the second piano and Amadinda and others on percussion. The second piece, Stravinsky’s ‘Les Noces’, also features multiple piano and percussion. The day winds up with jazz greats Chick Corea on piano and Gary Burton on vibes for an 8.30pm concert.

Secrets of a great public library

SOME HISTORY: THE BUILDING
This former neo-Baroque palace was commissioned for Count Frigyes Wenckheim and his wife Krisztina, who were landowners and philanthropists. Designed by Artúr Meinig, it was completed in 1889 and displays Dresden Baroque styling on the outside, with Louis XV inside. With a 500-person ballroom, it was considered “court worthy” and Franz Joseph I attended events here. During the short-lived Communist dictatorship after WWI, the building was confiscated and became the base of the Carpenters’ Union. A “museum of the proletariat” was planned for the space, but never happened. In 2002 a thorough reconstruction of the palace was completed, including the addition of two annexes, which has proved to be a real success. City developers have listened to the pulse of Budapest, and combined the old and the new. Along the way, this library has become the centre of the Ervin Szabó Budapest Public Library system, which has 52 branches throughout the capital.

ENTERING
Entering from the left side of the palazzo, from Reviczky utca, and you’ll arrive in a pretty atrium, which is a covered courtyard. You can sit here and have a coffee in the café in the former stables, or you can register to use the library for a day (you cannot get past the courtyard without registering). When the library first reopened, registration wasn’t necessary, but the homeless and kids hungry for Internet porn overcrowded the ground floor waiting section. The library is open from 10 a.m. to 8 p.m. on weekdays, from 10 a.m. to 4 p.m. on Saturday. There are 15 reading rooms, and some 160 computers.

WHERE TO LEAVE YOUR BELONGINGS
You can leave your belongings in the human-operated cloakroom or in the lockers. The lockers are handier, but patrons almost always outnumber them. And some readers, immersed in their books, find they have forgotten the number of their locker, which leads to lengthy and loud scenes. If you use the cloakroom, you are confronted with the fee conundrum. How free is a free service? (Give HUF 100 anyway.) Real insiders outwit the system by visiting the lockers in a back room. To find it you have to cross the covered courtyard of the palazzo, and enter a spiral staircase in a cylinder-shaped part of the building, just to the right of the cafeteria/former stables, and go down into a basement room.

A MODEL THAT TELLS ALL
To really understand the library complex, look at the model that is in the new staircase to the left of the elevators. The two annexes are a late-19th-century former residential building (to the bottom left) and a newly built eight-storey building (to the bottom right). In the periodicals section in the latter annex, the old spiral staircases from the storage space were ingeniously incorporated. The whole complex is a lively labyrinth, worth spending half a day exploring. Don’t miss the glitzy art-reading room or the gold and silver parlors.
Ervin Szabó, an eminent librarian, social scientist and reformer, originally founded the Budapest Public Library in 1904 in the City Hall building. (It was one small room; a large photo of the very first library is exhibited on the second floor in the current building.) Plans for the erection of a grandiose modern building were swept away by WWI. In 1927 the city bought the palazzo of the Wenckheim Barons and in 1931 the library re-opened here.

The 5-6,000 people who come here annually are likely to sit down and stay awhile. Most of the patrons are students, who tend to speak English. The terracotta palace facing the library’s main entrance is the music library, which has a special collection and sophisticated music listening facilities.

THE PALAZZO PART
The glitziest part of the library is the former ballroom and the smaller foyer, the "silver saloon" and the "golden saloon", where there are comfortable armchairs that are instantly reserved by students who stay all day, most of them with a laptop of their own; modern devices that don't really fit the environment. In some of the reading rooms there is highly ornamented oak paneling and some of the prettiest young ladies and middle-aged women. The latter are translators of literary works. They use the library as cafés, as the mid 20th century writer and wit, Jenő Heltai (cousin of Theodor Herzl, the Pest-born founder of Zionism) once explained in an oft-cited definition: "You are not at home, but you don’t have to be outdoors in the open air".

THE ORDINARY OLD PART
The ordinary old part, overlooking Reviczky utca, a former residential block from the 1880s, was added during the facelift of 1998-2002. There are a series of reading rooms, one on top of the other, with a handy reference library in each. On the floor there are sockets for your laptop. The nicest specialized reading room (also the closest to the heart of the author of this column) is on the top floor – it is called the Budapest Collection. Apart from the books and photographs, there is always a changing exhibition on its walls. If you enter this (or, indeed, any of the reading rooms), you are supposed to leave your library card with the reference librarian.

THE NEW PART
The latest part, completed in 1998, is a contrasting modern building in the style of the 1990s. It contains the free shelves, where you can browse and take any of the books to check them out. The connection between the palazzo and the new part is on the second floor. The wooden floor with its bombastic patterns is a bit over the top, and bears the signs of mild "moral obsolescence". All over the library there are card operated copying machines. You can buy cards at the caher on the ground floor.

HOW TO CHECK OUT A BOOK
Either pick up a book and go to the check out section, or you can do it through the website of the library (www.fszek.hu) Then you have to sit down and wait. In 30–45 minutes you should see the last four digits of your library card displayed on the notice board (also in the reading rooms). If not, the book you wanted is lost, or you did something wrong!
Since 2011 there have been mysterious checkout machines. Don’t ask how it operates. Every time I am there I have to learn it anew. Luckily there are always helpful ladies around.
Right-hand people

In addition to the new and re-elected board members (see People in the News, pages five to eight), December’s annual general assembly also voted in the two deputies who serve, in the words of one of the successful candidates, “as the president’s two right-hand persons”.

The first vice president is no stranger to the role, having won reelection; David G. Young, of executive search company Amrop Kohlmann & Young.

“I feel strongly that AmCham’s voice be heard,” he told Voice. “At a time when the business environment for many companies has deteriorated, it is more important than ever for AmCham to stand up for our members and our American business values. Due process, transparency and predictability are not just media sound bites, but important foundations for a modern open economy.”

The second vice president is now Dr. Andrea Jádi Németh, of the bpv Jádi Németh law firm.

“It is a great privilege for me to have been voted the second vice president of AmCham at such a competitive election,” she told us. “I feel truly honored by the support I received from the membership.” As one of the president’s “two right-hand persons”, she said she sees her responsibilities as “my opportunities to give a loud voice to the values and business interests our members stand for. I deeply appreciate and recognize that I became part of AmCham’s driving force with a noble mission: to help raise Hungary’s competitiveness and to advocate for a healthier, friendlier and more growth-oriented business climate that directly benefits our members.”
Hungary’s economy remains vulnerable, IMF warns

by ROBIN MARSHALL

The principle problem facing Hungary’s economy, and the key answer to fixing it, are one and the same, according to the International Monetary Fund’s resident representative in the country, Iryna V. Ivaschenko.

For Hungary, challenge number one is growth…. [It] is a challenge in the short-term, the mid-term and the long-term,” Iryna Ivaschenko told delegates at an AmCham business forum held at the Hotel Marriott on 9 February.

“Hungary is a small economy reliant extensively on funding from abroad. Exports are the only source of growth. Domestic consumption and investment are weak.” The latest IMF projection for economic growth here put the figure for 2012 at just 0.3%, but Ivaschenko cautioned that those numbers were already outdated. “This 0.3% is our last official estimate, which was made with a slightly better eurozone outlook, so it can be revised down,” she warned.

She gave an overview of the original downturn of 2008, which she dubbed ‘Crisis 1.0’ as well as the present ‘Crisis 2.0’. “One big difference is that this is more of a sovereign crisis, with its epicenter the eurozone, whereas previously it was the individual world banking sector and insurance spill-over.” This time, in other words, the financial problems are much closer to home.

Part of the complexity for Hungary, indeed for many emerging countries, is that “eventually, everything is inter-connected, and the short-term runs into the long-term”. Such intertwining made solving the problem all the harder. “One of the biggest challenges in the eurozone crisis is that difficulties for sovereigns affects the banks, and difficulties for the banks affect the sovereigns. It is a vicious circle that is very difficult to break, and it needs to be broken.”

One comment seemed to indicate the IMF was aware of criticisms about the conditions it attaches to the aid it gives. She pointed out that the money is absolutely necessary for nations seeking a bail out. “There are never ‘easy measures’ when a crisis hits, it is not because we want it, but because you gotta do what you gotta do in a war, or a crisis.” The measures the IMF asks for, and the money it gives, are always better than the alternative, she said.

Ivaschenko was not entirely downbeat. “The worst can be avoided,” she insisted at one point. “It is not a very deep recession as was 2008-9.” She identified a number of what she called “headwinds” that might hinder in Hungary’s progress. “Hungary is a country that has one of the highest ratios of export to GDP. It is a very open economy and very heavily integrated. When Germany sneezes, Hungary is going to catch a cold for sure. It is also a country that needs to generate a lot of money, she points out. “Some €35–40 billion annually gross needs to be rolled over in the entire economy. It has the highest public debt in the region, and one of the highest in the entire emerging economies universe.”

She acknowledged that the government had been taking difficult steps, especially in relation to labor participation, but warned that the economy “remains vulnerable, risks are still there because it takes time to work through”. There were also, she said, limited policy options. “You must tailor the tax mix and the expenditure mix to make adjustments sustainable and reduce impediments to growth.…. Hungary needs to improve the investment climate and enhance economic governance with independent institutions and strong fiscal governance.”

Was Hungary heading in the right direction? Magyar Hírlap wanted to know. “It is too complex to answer here. I think I have been explicit about our concerns to make it [Hungary] more growth-friendly.” The Hungarian government knows exactly what is required of it if it wants to access IMF financing, she added. “The government has been informed. It is not that we are not talking; we talk all the time. We have also been very public about our concerns, including the independence of the central bank. Right now a lot depends on the government.”
Stand by your message

AmCham has taken what is, for it, the unprecedented step of including a preamble to its Innovation position brief. We look at the preamble, and the reasons for it.

The preamble starts by welcoming news that as of February 2012, the Hungarian Intellectual Property Office has been authorized to evaluate R&D projects upon request, with the National Tax and Customs Administration having to accept its ruling. This was actually an AmCham proposal, and the chamber points out that the IP office will need appropriate staffing to take on the new task.

It also welcomes the “huge success” of a “significant increase” in numbers of state subsidized students majoring in IT, natural sciences and engineering. “The fact that from this year on 31,000 students, as opposed to the previous 21,000, have the opportunity to study these majors is a great achievement to ensure the long-term provision of talent.”

But the preamble points out that it will be two to five years before the extra students graduate, “which is why we urge that R&D enterprises have lost an effective means to improve the supply of special expertise.”

Another recent government decision means enterprises have lost an effective means to improve the supply of special expertise. “AmCham has worked out a robust plan for innovation that it was willing to stand by, he said. “The important thing is that all parties realize that all forms of innovation – home grown and imported – are key to the nation’s future success. Government has raised innovation to a level where meaningful discussion is occurring and AmCham is a part of that dialogue, helping to change future policy,” he explained. Innovation policy is something the country must nurture each year, Hetényi added. “I am very hopeful that as time goes along, and we as AmCham stand by our message, the government will integrate as much of it each cycle as possible.”

Lajos Reich, Chief Technology Officer at GE Healthcare and the chair of AmCham’s Innovation Working Group said, “it was only a little while since the position brief draft had been finalized, since when the government implemented several policy changes, on which we wanted to reflect”. But he is sure the government will listen to AmCham’s proposals. “Our recommendations are based on the extensive international experience of our member companies over many years. Stimulation of R&D investments and creation of a great number of new R&D jobs is only possible considering these best practices that have already made many countries successful in this area,” Reich said. “Nowadays technological innovation has undoubtedly become the engine of development in advanced economies. I believe that Hungary’s expenditure on industrial research, development and innovation can be doubled by implementing our recommendations.”
The single major issue facing Hungarians today is simply finding a job warns Andrea Juhos, the new chair of AmCham’s Labor and Education Committee.

There are, of course, other problems that need to be overcome; many businesses still complain of a disconnect between their needs and the undergraduate workforce turned out by Hungarian universities, for example. But Juhos says the economic downturn has trumped that.

“The number one challenge is finding a job, definitely,” she says immediately the question is asked. “We as a country cannot afford that. This is one reason why I’m so keen to work with higher education. It is very important we start creating new jobs.”

That, famously, is a goal the Hungarian government shares, having pledged to create one million new jobs in 10 years. Except, of course, that with finances unable to support a massive public building program, it is not the government who will create most of those jobs, but the private sector. The state, therefore, has to develop an environment that promotes job creation, and Juhos says she sees little sign of the necessary vision for how that might happen.

“They say we need 100 lawyers next year, and it will support only that many university places, but what I don’t know is why it is 100. Why not 50, or 150?” Rather than targeting figures, she believes the government should create focal sectors. “Let’s say we want to attract more service centers to Hungary. From there you can go back to the universities and say we want you to teach unique or unusual languages, because that is what the service centers will need.” Similarly, she thinks the country could become a wellness center, bringing in health tourism in a manner already practiced by many dentists. “We have a lot of frustrated and very badly paid doctors in Hungary. At the same time, healthcare costs are very high in much of Western Europe, and we have all these spas; why not concentrate on rheumatic diseases, for example?”

Juhos has been involved with AmCham for 15 years or more. Since 2000 she has been country head and managing partner of DBM Hungary, an HR consultancy firm that specializes in working with organizations undergoing corporate change. But as well as HR, her background also takes in education and a five-year stint working at the American Embassy in the U.S. Information Service.

Having moderated AmCham’s Career School series, she became chair of the Labor and Education Committee in January, following on from John Cantwell. “I’m very grateful for the work John and the committee coordinator, László Metzing, have done, and am really very happy to take over. I see it as a great opportunity.”

At the time of writing, her plans have yet to gain board approval, but she already has clear ideas of what she would like to do. “The career school is excellent, and we will continue that and are looking for exciting and inspiring leaders to present. The language ambassador program is also excellent, and I’d like to expand that to the universities as well as high school students. Even though you cannot now get a degree without good working knowledge of at least one foreign language, companies say this is still an issue.”

As, indeed, is that disconnect mentioned earlier between the needs of employers and the students the system produces, and that is something else Juhos would love to tackle. “I would like to have a roundtable discussion between the universities and major employers to discuss what universities need from the private sector, and what the private sector is looking for from university graduates. I think such a “gap analysis” would be very important.”

There are also practical steps that can be taken now, such as skills seminars aimed at addressing common failings among post-university job seekers. Employers complain that, alongside poor second language skills, undergraduates are often lacking in presentation skills, self-awareness and confidence.

She’d also like to work with foundations supporting Roma university students, and help at the four (possibly soon to be six) Roma dormitories that offer undergraduates a place to stay and wider support through onsite skills workshops.
The strategic-tactical switch

by ROBIN MARSHALL

Among the key challenges facing human resource managers across the world is developing the necessary core competencies to become strategic partners in the business decision making process, and being accepted by their management peers as being there by right. Matthew Strauss says one of the goals of the AmCham HR Committee he chairs is to help make that come about.

A first step, HR professionals need to broaden their knowledge, he says. “We in the HR world don’t always speak the same language as the execs,” explains Strauss, who is an owner and the managing partner at ARGO Performance & Development Budapest office.

“Part of what attracts many people to HR is the service side, the people, not the hard-nosed business side,” he acknowledges. But to become a strategic partner, to be involved in business development decisions, that is exactly what HR experts need to embrace. “Those who want to be involved really have to know the business pretty much as well as everyone else at the top; they have to be able to speak the same language as those on the executive board and contribute to the overall management decisions by suggesting HR tools and means.”

But Strauss also warns that, in order to win acceptance, the HR fundamentals must be flawlessly in place. “To be accepted strategically, the tactical things – the administration of salaries, hiring staff etc. – must be perfect, because that is the foundation on which trust will be built.” Strauss took over the chairmanship of the HR committee on a temporary basis last spring, when the work commitments of his predecessor made it impossible for her to continue. In November he was confirmed in the role fulltime. The committee is now working on an action plan that will take it into 2015. Central to that is a vision to “improve the competitiveness of Hungary and contribute to a better society by supporting members to achieve world-class levels of HR effectiveness and impact”.

The chairman accepts the goal is ambitious, but says the committee has steps in mind to get there. “We want to maintain ‘best practice’ sharing, but also develop beyond that, getting more involved with other AmCham committees, such as Labor and Education, or the SME. We also want to develop relationships with higher education and other HR organizations in Hungary, such as the Hungarian Association for Human Resources Management (OHE).” Mentoring may also be on the books, especially if the committee can get even more top leaders onboard to help. “We currently have a good group of very active people, but there are more than 400 AmCham member companies, some of them with highly developed HR. We need to get more of these HR professionals involved. We want to become the place where people know to go in order to share or learn best practices.”

Activity wise, the chairman plans to run workshops for members in strategic HR and consultancy skills, and to participate in a conference in May being organized by the OHE. “There will also probably be a mini breakfast conference in Q2, which will be by invitation only for AmCham HR leaders. And together with professional partners, we are planning to invite world-class leadership experts to Hungary, the first event of which is due in May.”

CAREER PATH

HR was not the career Matthew Strauss expected to follow when he was studying politics and diplomacy in the University of Georgia. He even served for a while as an intern in the U.S. Department of State. “But I decided I wanted something different, and ended up traveling the world, teaching English to pay my way.”

A friend’s wedding brought him to Szeged on a one-way ticket in 1997. He moved up to Budapest, where there was a “world class teaching program” and was soon offered a job. Given his background, he quickly found himself working with politicians, diplomats and business leaders, who frequently wanted insight into content, not just help with language. From there it seemed a natural move into coaching, training and eventually the full HR spectrum. He became owner and managing partner of ARGO Budapest in March 2010.

Strauss had already joined AmCham by that time. “My wife is Hungarian, I have two small children who are ‘mostly’ Hungarian. With so much of my life here, I wanted to get more involved in business life and Hungarian life, and AmCham seemed the logical first step.” As soon as he had joined, he threw himself into the Corporate Governance and HR committees; “I wanted to get involved in affecting change in my society.”

He has no plans at present to return to the States. “Going back just doesn’t interest me now,” he says. The patchwork quilt of countries that makes up Europe holds far more interest. “If I’m doing a regional workshop, I may have people from eight countries, speaking eight languages and with eight cultures. That is an experience you don’t get in the U.S.”

As a first step, HR professionals need to broaden their knowledge, he says. “We in the HR world don’t always speak the same language as the execs,” explains Strauss, who is an owner and the managing partner at ARGO Performance & Development Budapest office.

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Making tourism a key investment
by ROBIN MARSHALL

For a country like Hungary, you would think tourism would be an obvious investment priority area, given the urgent need to promote growth and create jobs. But Péter Kraft believes the sector is not receiving the full attention it deserves. It is an area where he thinks the renewed Tourism Working Group he now heads for AmCham can make a real contribution.

Achieving that would require more than doubling the current actual tourism income. So how does he plan going about changing all this? To establish the agenda of the revitalized Tourism Working Group, he has in the past few weeks held half a dozen meetings with AmCham members who are senior leaders in the tourism industry. Based on these conversations, a common approach is materializing within the working group. The main objective will be to contribute to the competitiveness of Hungarian tourism. To that end, six priority areas have been identified:

1) Raise awareness of the opportunities and potential of the Hungarian tourism sector;
2) Help Budapest attract quality tourism;
3) Expand quality tourism beyond Budapest and into the countryside;
4) Contribute to the building of a large conference center;
5) Work to attract FDI in the tourism sector;
6) Within 18 months put together a Tourism Position Brief aimed at key Hungarian decision makers.

Point four is interesting because, as I point out to Kraft, people have been talking about it since I first arrived in Hungary in 1998. “Yes, but how many times has it been in the newspapers in the last couple of years? Not once. A plan is announced to build a new national football stadium. If you have the money for that, maybe it makes sense to think about building the conference center first, and then, with the proceeds generated you can build three football stadiums. The question is what is the best order?”

Tourism seems to have slipped so far from public attention that Kraft suggests one step toward drafting a national tourism strategy is simply by talking about it again. He imagines a number of lunches and dinners where AmCham members, key players from the sector, exchange their views with the decision makers.

“There are roughly 1,000 to 1,500 people in Hungary who make up the political, economic and social elite, the people who move the country forward. Maybe one key is to talk to that elite about the opportunities and its impact.”

And he is certain opportunities are there. His own company has been working on a project to bring the first Sheraton hotel to Hungary, not to Budapest but to Kecskemét. Papers were signed in October 2011, and the hotel will be inaugurated in 2013. “The Sultan of Oman recently bought the Four Seasons hotel in Budapest. If the Sultan of Oman has bought, you can be sure there are many more opportunities, both in Budapest and the countryside.”

Kraft would seem well qualified for his new role. In 1990 he brought American Express to Hungary, leading it until 1997, during which time he also served a term as AmCham President. In 1999 – 2000 he was Deputy State Secretary for Tourism, at that time the highest government position responsible for the sector. He spent three years in the Ministry of Foreign Affairs, and was appointed Hungarian Ambassador to Peru. He is a member of the prestigious U.S.-based International Society of Hospitality Consultants, an elite group of professionals dedicated to developing hotels around the world. His company, KRAFT & Associates, established in 2004, specializes in putting together investors, hotel operators and financing for tourism projects.
Information is king

Good information, as every businessperson worth his or her salt knows, is vital to running a successful company. Now an AmCham member is offering SMEs a comparative analysis of how they perform vis-à-vis their competitors in terms of competitiveness.

The business intelligence report that TMF Hungary provides was born two years ago, and came out of a request from a company that was not then a client, says MD Julia Varga.

“It was prior to an acquisition, a compliance review in relation to an investment,” recalls Varga, who joined TMF Hungary in 2003, and became MD one year later. “The company wanted to know whether to go for acquisition of the company as an on-going concern or an asset deal. At the beginning it was not clear what would be the best path, but the compliance review showed the route to an asset deal, and that is what the company went for.”

The company that made that original request was so impressed it became a client. Much of what TMF does as a BPO is on-going administrative tasks: accounts, HR, payroll, corporate secretarial services, etc. But Varga says it is also finding increasing take up for one-off services such as IFRS reports. And, initially starting with the company’s own network of friends and partners, there has been growing interest in business intelligence reports.

Varga says there are a number of reasons why a company ought to conduct such a review, all of which have been brought into sharper focus by the current economic climate. “SMEs’ needs have changed, especially during the past two to four years.

SMES’ NEEDS HAVE CHANGED, ESPECIALLY DURING THE PAST TWO TO FOUR YEARS. MORE AND MORE COMPANIES ARE INTERESTED IN THEIR MARKET POSITION.

“We do an analysis of the publically available data, look at the structure of income and expenses, the company’s liquidity, its portfolio of assets and state of indebtedness. What if the accounting is in euros? Who are the investors, the sources of finance, the partners and shareholders? What is the value of the assets, and what is their possible use?”

Analysis of such data can also shed possible light on differences in margin levels. “One of our analyses showed a company with just two employees and a turnover of HUF 300 million. That’s just not possible so you begin to look at how that might happen, are subcontractors involved?”

Such reporting also looks at EBITDA, a figure that foreign businesspeople, in particular, pay a lot of attention to, Varga says. “It is a very ‘neutral’ indicator for the health and finances of a company. For foreign investors it is much more important that a company is complying with all the local statutory rules and that they receive management reports based on international financial reporting standards. These figures ‘speak’ more to them.”

But has TMF used the product itself? “Yes,” Varga laughs, “every year! When we are preparing the budget, this is part of the process, and it always proves very interesting. It confirms our feelings, of why we run the business in the TMF way; if you like. This helps me to be confident in the analyses we make. It makes me think, ‘What if we do business this way, what if we, for example, use sub contractors and fewer employees?’ These are very useful thoughts to have, and the process helps me to be very confident in the budget when I present it to the group board.”
Teaching by example

A moderated boardroom simulation has been developed from AmCham’s Sixth Corporate Governance Workshop that vividly illustrates the kind of ethical questions well-run businesses can and must address.

Organized by AmCham’s Governance, Integrity and Entrepreneurship Committee, the workshops are designed to promote good governance and ethics in the private, non-profit, and public sectors. Part of the committee’s outreach program, the workshops are tailored for professors teaching the subject.

“Using a ‘teach the teacher’ concept, the target audience is professors and students, but AmCham members are also welcome to join,” explains AmCham Hungary’s CEO Péter Dávid. “We had professors from the Central European University (CEU), the University of Pécs (PTE), the Corvinus University of Budapest (BCE), Budapest University of Technology and Economics (BME), Budapest Business School (BGF), and the International Business School Budapest (IBS); traditionally these schools have attended the workshops. The idea is that we give them a practical business insight that they can later use in their classes. This year they received a package of the board-meeting synopsis, a PowerPoint presentation and will also get the transcript from the event itself. Of course, they also had a chance to listen to the simulation, which can be really beneficial when they are teaching a related subject,” Dávid says.

The seniority of the ‘mock’ board members demonstrates how important the AmCham committee feels business ethics to be. It included András Hanák, a senior advisor for Euro-Phoenix Ltd., Matthew Strauss, managing partner at ARGO Performance & Development, Péter Kazár of CFG Paralel Consulting, László Drajkó (then general manager of Microsoft Hungary, now vice president sales, Americas at Graphisoft), András Kecskés, a professor of law at the University of Pécs, Jacques de Jager, country manager of SpenglerFox, Péter Garancsi, Senior Associate, bpv Jádi Németh Attorneys at Law and Judit Budai, partner at Szecskay Attorneys at Law. Corporate Governance and Business Integrity Committee chairman László Czirják, a partner at iEurope Capital, moderated the simulation.

Renowned corporate governance and legal expert Holly Gregory, a partner at Weil, Gotshal & Manges LLP was a keynote presenter at the workshop. In addition, Marianne Drain, commercial attaché at the U.S. Embassy, and John Griffin, the Australian Ambassador, provided welcoming remarks.

For more information on the project contact Zsófia Juhász, coordinator of the Governance, Integrity and Entrepreneurship Committee at zsofia.juhasz@amcham.hu.
Constructive persistence works

AmCham Serbia promotes American best business practices, values and responsible partnerships between the U.S. and Serbia, leading to economic development through trade and investments. Its portfolio of activities includes advocacy, networking, promotion of Serbia as an investment destination, promotion of business ethics, CSR and engaging university graduates. Amalija Pavić, Government Affairs and Policy Advisor, takes Voice through some of AmCham Serbia’s ten-year history.

**NOTABLE SUCCESSES SINCE FOUNDATION:**
We at AmCham Serbia believe that, over our ten years of activity in Serbia, our greatest achievement has been establishing AmCham as a constructive partner and an unbiased evaluator of Serbia’s economic reforms. Over the last ten years, AmCham has given constructive suggestions and comments on improving around 80 economic laws and regulations, organized 30 roundtables and conferences, and invested in capacity building of public administration, all with the aim of facilitating the business operations of foreign and local investors.

**AREAS WITH THE LARGEST ADVOCACY SUCCESS:**
- Protection of IP rights legislation and enforcement (enactment of the Law on Special Powers enabling various different parts of the state administration, including tax administration, to check compliance with IP laws and the Law on Optical Discs which allows for better control of optical discs manufacture and trade).
- Relaxing administrative burden related to foreign exchange transactions by amending the Foreign Exchange Law in two iterations.
- Significant improvement regulations on capital markets (adoption of the new Law on Capital Markets).
- Advocating for VAT Law implementation.

**WHAT HAVE YOU FOUND TO BE AN EFFECTIVE APPROACH?**
Constructive persistence: AmCham Serbia produces more than 200 concrete suggestions for improving economic regulations annually which has resulted in positive changes to more than 30 regulations just in the last two and a half years, while the formal adoption of a significant number of regulations is still pending. Some of AmCham Serbia’s greatest advocacy successes materialized due to persistent advocacy at different levels for as long as three years (from our initiative to adoption of the law by Parliament).

**WHAT HAS NOT WORKED?**
Some of our initiatives, especially those that might be associated with social issues, such as labor related policy, proved to significantly depend on the political cycle. Thus, while our suggestions may have been adopted by the Government of the Republic of Serbia, their implementation is significantly lagging.

**HISTORICALLY SPEAKING, WHAT PARTICULAR PROBLEMS HAVE FACED BUSINESSES IN YOUR COUNTRY?**
Red tape across the board: lengthy customs procedures, significant number of different licenses, burdensome administrative procedures in cross border payments, registering workers etc.

**NUMBER ONE CHALLENGE FACING BUSINESS TODAY:**
Regulations in the domain of real estate, ranging from the still lengthy process for obtaining construction permits, to cumbersome procedures for registering ownership on urban construction land.

**CURRENT ADVOCACY AND LOBBYING CAMPAIGNS:**
- Decreasing administrative burden imposed by labor regulations (collective agreements and the Labor Law).
- Increasing transparency in public procurement regulations.
- Eradicating red tape in real estate regulations in the area of obtaining construction permits and registering ownership rights.
- Stopping proliferation of earmarked charges (different compensations and levies) in non-fiscal regulations at central and local levels.
- Enhancing enforcement of intellectual property (IP) rights.
- Increasing transparency in procurement procedures of the public health care fund and fostering synergies in the private and public health care system.
- Fine-tuning implementation issues in tax regulations especially transfer pricing.

**VITAL STATISTICS**
Name of Chamber: American Chamber of Commerce in Serbia
When founded: October 2001
Number of members (at foundation and currently): 11 founding members, 160 members in 2011

**CONTACT DETAILS**
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HOW WOULD YOU DESCRIBE THE CURRENT BUSINESS ENVIRONMENT IN HUNGARY? If we look at our sector, the enterprise application market is really prosperous. Companies are doing business in a fast-paced world, which is marked from the IT point of view by the need for mobile devices, the ability to handle large amounts of data, trusted company governance and control, and agility. Software solutions that make companies run better are becoming especially important in the difficult economic state in which we find ourselves.

Today, many companies have decided that a critical element to building their future is raising their own competitiveness, and for that IT is the enabler. This sector has an important significance in our country, since it is responsible for nearly 10% of GDP, and thus is one of the positive “pulling factors” for Hungary.

HOW HAS DOING BUSINESS IN HUNGARY CHANGED SINCE THE COMPANY WAS SET UP HERE? For us in a very positive matter, since SAP Hungary has gained operations that are remarkable even on an international level. The Global Support Center, which is mainly responsible for supporting German-speaking countries, and SAP Labs Hungary, which develops new applications, are both operating from here. These two areas ensure continuous staff growth. Since its foundation in 1997, SAP Hungary Ltd. has continuously gained market share, and is the leader in the enterprise application software sector, with 35% of the market in 2011. Through our channel system, and consultancy capacity, we give work and provide a living that supports nearly 1,000 Hungarian families. In the light of previous years, it can clearly be seen that the perception of the improvements business life can effect in societal, economic, and environmental dimensions become ever more important. Innovative domestic companies have grown up to become regional players, many of them from the IT field. There is another trend that can clearly be seen: the government has pledged to provide more efficient operations, a long-term feature of companies like SAP.

WHAT ARE THE GREATEST CHALLENGES IN DOING BUSINESS IN HUNGARY RIGHT NOW? I think in the long-term that a predictable policy, economic and social environment is a prerequisite for national development and competitiveness. Predictability does not come at the expense of competitiveness. We also need to add innovation to traditional Hungarian creativity, introduce more proactive input in everyday business strategy, and the internal policies of multinational companies (e.g., integrity, fair trade practices) should be used as an example for the Hungarian business community.

WHAT ONE THING WOULD YOU LIKE TO SEE CHANGED ABOVE ALL OTHERS TO IMPROVE THE BUSINESS ENVIRONMENT? There is an immediate need for greater predictability and increased transparency and operational efficiency. Improve the business environment and, with some delay, you will also improve social, cultural, environmental, financial, and other fundamentals, creating a more functional, more livable Hungary. This is something we have tried to contribute to through our expertise, and we will continue to do so in the future.

WHY IS IT IMPORTANT TO BELONG TO AN ORGANIZATION SUCH AS AMCHAM? AmCham believes in and promotes the same values that are the foundation stones of SAP. Of these, the most significant is that AmCham, like SAP, tries to raise the country’s competitiveness on many levels, and through many approaches: from CSR actions to common conversations, thinking together with governmental officials. This organization has a variety that helps one to understand the wider world as a whole, and to work as a chamber to develop a more favorable environment, which is exactly what it has done for years.
HOW WOULD YOU DESCRIBE THE CURRENT BUSINESS ENVIRONMENT IN HUNGARY?

Hungary is going through a kind of economic reconsideration phase for the time being. The situation is pretty complicated. On one hand, the world economic crisis has shown that there is a need for a global political-economical intervention to put the economy back on the right track, on the other hand any artificial influencing of the costs, like bank interest rates, labor or energy costs, definitely influence companies in their competitiveness compared to their peers working in a purely free market driven environment. Just one example: Guardian is running float plants in six EU countries (Germany, Hungary, Luxembourg, Poland, Spain, and the UK), but the price of gas in Hungary is the most expensive in the industry. This is the result of nothing else but an administrative decision and it is putting almost every company working in the building industry in an uncompetitive situation.

HOW HAS DOING BUSINESS IN HUNGARY CHANGED SINCE THE COMPANY WAS SET UP HERE?

When Guardian started its activities in Hungary in 1988, Hungary was a socialist country. I do not think I have to explain the change made there. The change since 1990 is significant. The Hungarian economy, parallel to the world economy, became a real open economy, where the competitors are coming not only from Hungary but also from Turkey, Algeria and China. The companies Guardian is working in close partnership with have grown from small “garage companies” into really big, sometimes even international corporations, using the most developed technology. There were firms that could not stand the competition and have disappeared. The strong and hard competition forces each member of the business to find new ways, to develop new products and new methods to be faster and better in product and service. To summarize: doing business in Hungary has became harder, as it has all around the world, but it keeps the business awake and fit, and since it is the customers who enjoy the results of this improvement, it is good for everybody.

WHAT ARE THE GREATEST CHALLENGES IN DOING BUSINESS IN HUNGARY RIGHT NOW?

There have been steps taken to decrease company administration. The rules on administration and taxes could be further simplified. Beside these, the greatest challenges are that there is no, or almost no, long-term fixed rules among the business conditions. The Labor Code is changing; the taxation rules are changing year-by-year and even during a business year. These changes make it difficult for investors and management to build up or fine-tune a strategy and to find the right actions to keep being proactive – in short to make the right decisions.

WHAT ONE THING WOULD YOU LIKE TO SEE CHANGED ABOVE ALL OTHERS TO IMPROVE THE BUSINESS ENVIRONMENT?

I would like to see some more free competition and accountability, but if I had the chance to pick up just a single point, this would be the predictability of the business environment.

WHY IS IT IMPORTANT TO BELONG TO AN ORGANIZATION SUCH AS AMCHAM?

AmCham as an organization ‘collects’ companies whose results inspire, and contact with their staff provides information that can be used to improve our job and results as well. It is also good to belong to an organization that can represent our business interests where needed.
**New members on board**

**PATRON**

**BorsodChem Zrt.**

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BorsodChem as part of the Wanhua Group is an important European chemicals producer with two main product groups: polyurethane raw materials (MDI, TDI) and vinyls (PVC resins and caustic soda). It sells more than half of its output on Western European markets. A significant amount of its production is sold to customers in Central and Eastern Europe. BorsodChem is establishing an increasingly relevant position outside Europe. More information: [http://www.borsodchem-group.com/](http://www.borsodchem-group.com/)

MDI (methylene-diphenyl-diisocyanate) is mainly used in polyurethane foams. Rigid foams are mostly used in construction, refrigeration, packaging and insulation. MDI is also used to make binders, elastomers, adhesives, sealants and coatings. TDI (toluol-diphenyl-diisocyanate) is used in the manufacture of polyurethane flexible foams for upholstery, mattresses and automotive seats. Smaller uses for TDI include polyurethane elastomers and coatings.

**Google Information Technology Services Ltd. (Hungary)**

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Google is a global technology leader focused on improving the ways people connect with information. Google's innovation in web search and advertising have made its website a top internet property and its brand one of the most recognized in the world. For more information, visit [www.google.com/about.html](http://www.google.com/about.html).

**CORPORATE**

**Antenna Hungária Zrt.**

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Antenna Hungária is an innovative, customer-oriented telecommunication company, a market leader in nationwide terrestrial television and radio transmission and microwave-based network services in Hungary. The company plays a pivotal role in the transition to digital TV and radio transmission, and in the convergence of broadcasting and telecommunication. Its digital terrestrial television service, MinDig TV contains 7 free-to-air television and 4 radio programs, while the pay-tv component, MinDig TV Extra offers additional 24 blue-chip TV channels all across country.

**Concorde Alapkezelő Zrt.**

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The wealth management practice we established in Hungary is based on the principles of the Swiss Private wealth management. Concorde Asset Management was established in 1994 as the first independent asset manager in Hungary. We provide a wide range of wealth management services to individuals and companies. As of today, we manage over HUF 250 billion (USD 1.1 billion) worth of assets.
Johnson Controls

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Johnson Controls is a global diversified technology and industrial leader serving customers in more than 150 countries. Our 162,000 employees create quality products, services and solutions to optimize energy and operational efficiencies of buildings; lead-acid automotive batteries and advanced batteries for hybrid and electric vehicles; and interior systems for automobiles. Through our growth strategies and by increasing market share we are committed to delivering value to shareholders and making our customers successful.

Csodalámpa Alapítvány

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Csodalámpa Wish-Granting Foundation established in 2003 grants one wish of 3-18 years old children suffering from life threatening illness thus giving them hope and strenght to overcome the illness. Our Public Benefit Report audited by PWC and information about each fulfilment can be found on their website www.csodalampa.hu

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Image Factory

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IMAGE FACTORY is a communications agency offering the broadest range of professional services, from classic PR and media management through event organizing to graphic design, website development, digital PR and social media management. Our goal is to provide innovative, custom-made solutions for our clients. Image Factory was awarded with the most prestigious professional prize of our field, the PRizma prize twice: 2010, 2011.

Helios Partners

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Helios Partners is an international sports marketing and sponsorship consulting firm based in the United States. The company has led several successful hosting bids for the Olympic Games and World Cup and has extensive experience in sports marketing and sport property sponsorship.

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Infogroup Menedzsment Kft. is the member of the privately held InfoGroup Real Estate Development Group, which is looking back at 22 years of history in the Hungarian real estate market. After 15 years of residential focus, the company changed profile and now the portfolio mainly consists of commercial projects. Recent success stories include the Bartók Court (Bartók Údvár, Budapest) and Polgar Industrial Park (in Northeastern Hungary) which won the Best Industrial Park Award in 2011.
MyCorporation Kft.

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MyCorporation | The Smart Office, the coworking office on the Buda side, beside its coworking and office spaces offer business incubation & networking services for individuals, entrepreneurs and companies in a multinational environment, with soul and industrial design. We connect business ideas, create innovation.

Solti & Partners Consulting Kft.

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Solti&Partners Consulting is a management-consulting firm. We support our clients to identify and manage changes through their organization. Our mission is to find ways to improve the efficiency of your company. Our continuously updated know-how, solid experience with market leading companies, and fresh creativity guarantee trustworthy and predictable results.

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With over 20 years experience in the local property and construction market, with great blend of professional skills and experiences TOMLIN fulfill the role of leading project and construction manager in large scale projects and developments. TOMLIN’s company philosophy: Efficiency, Transparency, Result oriented. The focus of our services is the cost and time efficiency to deliver the target quality result of any development.
AmCham events

A NEMZETKÖZI HELYZET FOKOZÓDÍK - MIT CSINÁLJAK A PÉNZEMMEL? - AMCHAM-CONCORDE PODIUM DEBATE
February 14, 2012
Kempinski Hotel Corvinus Budapest

Moderator ZOLTÁN SIMON, Bloomberg with the speakers, TAMÁS MÓRÓ, VIKTOR ZSIDAY and LÁSZLÓ SZABÓ from Concorde
GLOBAL LEADERS ON THE AMCHAM PODIUM: PAULA DOWDY, VICE PRESIDENT, CISCO SERVICES, EMEA AND RUSSIA
February 22, 2012
Budapest Marriott Hotel

BUSINESS FORUM WITH IRYNA V. IVASCHENKO, RESIDENT REPRESENTATIVE IN HUNGARY, IMF
February 9, 2012
Budapest Marriott Hotel, 1052 Budapest, Apáczai Csere János u. 4.

PAULA DOWDY
First Vice President DAVID YOUNG, host of the event

IRYNA IVASCHENKO with U.S. Ambassador KOUNALAKIS and AmCham President ISTVÁN HAVAS
AMCHAM MORNING MINI SEMINAR: CAFETERIA 2012
February 9, 2012
American Chamber of Commerce

SEMINAR AND COCKTAIL: TAX LAW CHANGES FOR 2012
December 14, 2011
Kempinski Hotel Corvinus

TIBOR PÁLSZABÓ and RÓBERT HEINCZINGER, Partners, Tax Services, Ernst & Young Advisory Ltd.

ANNUAL GENERAL ASSEMBLY AND BOARD ELECTIONS 2011
December 1, 2011
Budapest Marriott Hotel
SIXTH CORPORATE GOVERNANCE WORKSHOP
November 29, 2011
Budapest Marriott Hotel

Keynote speaker HOLLY GREGORY,
Partner, Weil, Gotshal & Manges LLP

LÁSZLÓ CZIRJÁK, Committee Chair;
iEurope Capital

AMCHAM THANKSGIVING DINNER 2011
November 22, 2011
Budapest Marriott Hotel

FERENC SNÉTBERGER and his students played before the dinner
People make mistakes. We all do. Sometimes they are easy to correct, sometimes they remain hidden and have no significant impact at all. There are instances where a mistake becomes, metaphorically speaking, a killer. Just imagine the sensitive area of gene technology and genetically modified microorganisms, or GMMs for short.

It so happens that the Hungarian act regulating GMMs, when it was aligned with the regulatory requirements of the European Union, was more or less a direct transposition of the relevant EU rules. Unfortunately, the translator who was given the task of transposing the original into Hungarian made a small mistake: they omitted a few pages (probably when turning a page, it just so happened that instead of turning to the next, they turned two). It is even more regrettable that, for quite some time, nobody realized this mistake. As a result, the Hungarian regulation is, mildly speaking, ambivalent. It does not regulate certain details that are important in this field.

So, if you work with GMMs, for example producing substances in your biotechnological laboratories in Hungary, you are faced with a huge dilemma. Your activity may be in the ‘grey zone’, i.e. you do something that may or may not necessitate a special certificate issued by the Hungarian authorities. Since you operate in Hungary, which is a member state of the European Union, you are compliant with EU regulation, so no worries.

However, strictly speaking, if the Hungarian authorities ever decide to raise hell with you because of the lack of your local (Hungarian) certificate, you may be in trouble. As a result, you may not be able to carry on with regular laboratory operations, and sure enough, soon your scientists and researchers – the employees of your laboratories – will resign and leave. Potentially, they may even leave the country and continue their scientific career in a happier EU member state where the relevant regulation was appropriately transposed from the *acquis communautaire*. Would it be a loss to Hungary? No doubt. Can AmCham do something about it? Yes, we can and we should. Because, at the end of the day, it is a competitiveness issue. A prime competitiveness issue, in my opinion.

Péter Dávid
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For more information about the AmCham Foundation, please visit www.amchamfoundation.hu
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