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Dear Members and Friends,

The banking law working group of the regulatory committee has successfully lobbied for a change in the legislation regarding solvency certification, proof of the important work it undertakes says Erika Papp.

“The amendment is only a couple of months old, so the courts still have to get used to operating with it, but this really is an AmCham success, and is exactly what the chamber is about,” says Erika Papp, a partner at CMS Cameron McKenna, the firm’s Head of Banking and Finance, and also leader of the banking law section of the regulatory committee.

“We have been lobbying through AmCham to make sure the regulations of the bankruptcy act are a lot more transparent and reliable, that if you are a foreigner investing in Hungary, you will have a reliable way of dealing with any financial problems,” she explains.

The recent amendment has indeed secured means that the Hungarian courts, if requested, will have to issue an official certificate regarding any company in Hungary, stating whether an insolvency application is pending against it. Previously, such information had been deemed ‘private’ and no such certification was possible until a final decision on insolvency had been reached. Such an interim period may last for several months in Hungary. That was an issue both for foreign investors who wanted to check the financial status of potential Hungarian partners and for Hungarian companies who wanted to show a clean bill of health. “If you wanted to demonstrate no insolvent application was filed against you, there was no way to do that.”

Papp says the process is “in a very young form” as the amendment is so recent. Currently, only the Hungarian entity can request such a certificate. “That is not so much of a problem though, as international investor can insist on seeing a certificate before signing any contract.”

For now, certificates can only be issued in paper form, but Papp says the hope is an electronic version will follow soon, making the process much faster.

The working group is comprised of colleagues from major international law firms. Papp has headed it since the regulatory committee was reformed in September 2010, but says her role is more that of a coordinator. “It is a fantastic team to work with, actually. It is almost the only forum where I can meet my competitors and work together towards one purpose, so I really enjoy it,” she says. “We have regular meetings to discuss progress and next targets, so we have to work incredibly fast. That’s when it gets hectic!”

Even though a completely new Civil Code was introduced in 2012, she still expects there will be plenty to do this year. “There is a whole range of lower level regulations that need to be created, a lot of existing banking and finance, which we expect to come out this year.” One such is the creation of a new electronic register of financial securities. “We are waiting for that, the regulations around it will be crucial.”

Central to how the working group, and indeed the regulatory committee, operates is maintaining a good relationship between those using the law everyday on one hand, and those drafting it on the other. “I try never to question the lawmakers’ judgment or abilities—in fact most are incredibly well educated and well-informed. But one area where I do have more experience than them is in the day-to-day practicalities of how the law works in practice, and that is where we can offer valuable insight.”

Married to journalist John Nadler, Papp says much of the couple’s free time is spent taking their 10-year-old son Guatzi to and from sports camps, training and competitions. “John insisted that, as he is a Canadian, our son had to learn ice hockey, and Guatzi really is good at it now.”

Papp qualified as a lawyer in 1992, but began to specialize after a college encouraged her to enroll in a master’s course in banking in New York. “So I applied and was accepted, and spent two years in New York. My interest really grew from there,” she says.

Related stories: Creating a New Code, pages 16-20, June 2012 issue of Voice

Regulatory Committee Update, page 15, October 2010 issue of Voice

The image contains an introduction and details about the banking law working group and its activities. The text highlights the recent amendment that has secured a reliable way of dealing with any financial problems. It mentions the challenges and practicalities of implementing the new Civil Code. Erika Papp shares insights on the collaborative nature of the working group and the importance of maintaining good relationships with lawmakers. The text also touches on the personal life of Papp and her family. The page includes a shoutout to the second industrial strategy and innovation summit, organized by the Association of the Hungarian Automotive Industry. The event brings together companies from the automotive and electronic manufacturing industries representing HUF 4.453 billion in net sales, HUF 4.104 billion in exports and a workforce of 43,054 people. "Impressive," believe officials, not enough strong enough adjective to describe what these two industries—flagships, as we like to call them—to bring to the Hungarian economy. The event will have a fair representation as well the keynote speech from State Secretary Péter Szijjártó. We trust this conference will be a good platform to discuss those aspects that affect the future of these industries—education, vocational training, innovation, regulatory environment, supplier background—and make forward-looking practical suggestions in order to have the two sections remain in their lead roles in the Hungarian economy. (For more on these two industries read our cover story, The Drive to Make More Things, pages 11-20)

At AmCham strive to remain focused on the advocacy of issues that directly relate industries read our cover story, the Insight of Day-To-Day Practice. An article in the American Chamber of Commerce in Hungary goes to print, we will have had the insight of Day-To-Day Practice. The Insight Of Day-To-Day Practice.
Gabriela Bodea began her Pfizer career in Romania and has since worked in Belgium, Hungary and Poland, where she is now acting country manager. We talked to her about roots and successes.

YOU WERE MADE COUNTRY MANAGER FOR HUNGARY IN DECEMBER 2011. WHAT HAS BEEN THE MOST CHALLENGING THING, AND WHAT HAS BEEN THE HIGHLIGHT? The first months of my assignment in Hungary were extremely demanding. Within two months I had to implement a full restructuring of the team as well as redesign the long-term strategic vision of the company, while leading the organization to deliver the financial expectations for the year. The new business model was a proactive approach to mitigate the negative impact of healthcare reform in Hungary. It was not only a restyling of the company but a multidimensional approach to redefine all aspects of it – starting from portfolio prioritization to segmentation and targeting, to recalibrating the departments and redesigning interactions and processes. It was a bold move as well – by the time other companies were just starting to think of multidimensional approach to redefine the impact of the economic crisis, austerity measures that target healthcare investments, lack of transparency – just to name a few. We also share some positive trends: growing life expectancy, slowly improving access to healthcare, emergence of private healthcare, improving trends in prevention and disease management, increasing influence of media, more educated patients and caregivers, etc.

The most painful experience was the restructuring in July 2011 and the most rewarding experience was last December, at our year-end meeting, when I realized that we are a TEAM in the true sense of the word: confident, courageous, creative, resourceful, successful, proud of our achievements and ourselves. The journey was long, with setbacks and trials – but we were advancing constantly, building trust with every successful initiative.

We have still a lot to learn and develop but we have built the norms and the basis for trust and moved our team to another level. This is reflected in our business results and in our continuous evolution on the Hungarian pharma market.

HAVING WORKED IN ROMANIA, HUNGARY AND NOW POLAND, AND ALSO HAVING HAD REGIONAL ROLES,

HOW DO THE MARKETS COMPARE? HOW MANY OF THE CHALLENGES ARE COUNTRY-SPECIFIC, AND HOW MANY PLAY OUT ACROSS THE REGION? All our countries are facing more or less the same restrictions and setbacks: the impact of the economic crisis, austerity measures that target healthcare investments, lack of transparency – just to name a few. We also share some positive trends: growing life expectancy, slowly improving access to healthcare, emergence of private healthcare, improving trends in prevention and disease management, increasing influence of media, more educated patients and caregivers, etc.

From this general picture, the country-specific differences emerge at each subsequent level: governments, authorities, R&D companies, local manufacturers, distributors, pharmacies, healthcare professionals, professional and patient associations.

YOU STUDIED TO BE A DOCTOR, BUT LATER TOOK A BUSINESS ADMINISTRATION COURSE. WHY DID YOU SWITCH TO A MORE BUSINESS-DIRECTED CAREER? It was a once-in-a-lifetime moment, when everything falls apart and then comes together again in the blink of an eye and when, at a crossroad, you choose a path and hope for the best. It was my 30th birthday and I awoke to receive the news that I had passed my specialization exam as a family practitioner. The same afternoon, I received a call from the hospital telling me they were ending my contract because they could not afford our cohort of physicians. I swore I would never work for the Romanian state again, it had invested in my education and training for 20 years and was letting me go. On my side, it was the end of 15 years of anxious pre- and medical study and dedication, dreaming that I would make a difference as a physician. By the end of the month Pfizer had hired me as a sales representative and so my new life began – still hoping to make a difference, and not totally disconnected from the world of healers!

HUNGARY AND ROMANIA HAVE HAD A SOMETIMES-DIFFICULT SHARED HISTORY. DID YOU ENCOUNTER ANY PROBLEMS AS A ROMANIAN MANAGING A HUNGARIAN OPERATION? The answer to this question is not a straight yes or no. I was born and raised in Transylvania, in a mixed family. My mother is of Hungarian origin and my father had mixed origins too. My family is bilingual and we were raised respecting each other’s values, culture, history, and language. I have family members and friends of various origins and maybe because of that I never felt it a challenge to live in a diverse environment.

Accepting diversity, respecting other people’s values and culture – and doing this naturally, unconsciously because it is deeply embedded in my personality – helped me a lot when I was working in the regional office in Brussels, coordinating the work of 36 countries.

Coming back to your question – I never felt it was being labeled, here or in Romania. The fact that I have mixed origins helps me in the sense that I know the culture and behavior patterns, thus I am integrated much faster, accepted much easier. Of course one hears prejudices and stereotypes but I am used to managing them with no hard feelings. And yes, it also helps that I speak Hungarian (although a less sophisticated version of it)!
HIT Awards

The Hungarian Investment and Trade Agency (HIITA) acknowledged deals that have recently made big investments in the country at a ceremony on March 19. HIITA presented the investor of the year awards in eight categories: Procter & Gamble was acknowledged for the biggest greenfield investment; one worth almost $85 million that created 200 jobs in Hungary. The producer of the biggest expansion went to Bridgestone for two investments worth a combined $50 million that created 225 jobs in Dunakeszi, near the capital. Bridgestone was recognized for a 200% increase in profits that created the most jobs. 50% at its plant in Tatánabanya. Systemax took the award for the biggest project: the service center development, an investment that created 200 jobs. The prize for the biggest regional service center expansion went to Axis Budget Group BSE, which manages 100 accounts in Hungary. By 203, Audi Hungary Motor was awarded for its best research and development cooperation. The major South Industrial Park was awarded as the best industrial park for the year. Automotive industry supplier Csaba Metal won the prize for the best Hungarian supplier. The awards were presented for the second year.

Meanwhile, at a press conference on May 9 looking back at the successes of last year, HIITA Head Emese Tóth said that the agency had coordinated 218 positive decisions in 2012 on investments worth €4.21 million by foreign companies. The investment will result in the creation of 1,001 jobs, which could boost GDP by an amount of HUF 75 billion ($213 million at its bases in Tatánabanya and Nyírbátor. Senior VP Allan Rasmussen said the investments created 225 jobs. HUF 3 billion ($12.7 million) was spent on the development of the Nyírbátor plant and HUF 2 billion ($8.5 million) in Tatánabanya, creating 150 and 75 jobs, respectively. The two units now employ a combined 2,000 people, Rasmussen said.

Hungary’s Halázs is building a $7 million (€4.7 million, HUF 2.025 billion) fish farm and processing plant in Szentesgyegyár, managing director Andrzej Panait said at a press conference on May 22. The Russian-owned Halázs has already spent about €3 million on the fish farm, which started operating in January. Panait said. The farm can turn out 200 tons of Siberian sturgeon a year, he added. The processing plant is due to be completed in October. Halázs plans to start making its own products in December, selling them in Hungary as well as in Austria, Germany, Switzerland and later Russia. The fish farm and processing plant employs 12 people at present, but headcount will rise to 35 in the future. Halázs wants to establish at least five similar fish farms and processing plants in Hungary.

Korean tire maker Hankook is spending €313 million to expand its base in Hungary between 2013 and 2015. Hankook worldwide CEO Seung Hwa Suh said in Budapest on May 29. The expansion will raise annual output from 12 million units at present to more than 17 million, and create 900 jobs. Hankook’s CEO made the announcement after holding talks with Prime Minister Viktor Orbán in parliament.

NOBK BREMSE FÉKENDSZEREK, the Hungarian unit of German braking systems maker Knorr-Bremse, laid the cornerstone of a HUF 5 billion ($223 million) production hall and development laboratory in Kecskemét on April 11. Prime Minister Viktor Orbán, who spoke at the ceremony, said the investment was a “litmus test” of Hungarian economic policy and showed the economy is moving in the right direction.

The company decided in 2010 to make the greenfield investment, rather than expand its existing plant in Kecskemét, which started operating 60 years ago. The plant and laboratory are expected to be completed by the end of 2013, and create 110 jobs.

U.S. express delivery company UPS said on April 25 it will purchase Hungarian pharmaceutical logistics company CENELOG. UPS expects to close the transaction in Q2 2013. It did not disclose any further details, citing company policy. “The acquisition further strengthens UPS’s healthcare reach and expertise in Europe, enabling comprehensive, compliant services to customers in the pharmaceutical, biotech and medical device industries,” UPS said.

Danish window specialist VEUX said on April 24 it is investing HUF 6.5 billion ($281.8 million) in Hungary to launch production of a new product family.

VEUX MAGYARORSZÁG SP. spent HUF 2 billion last year in preparations for making the group’s next-generation roof windows.

STRATEGIC COOPERATION AGREEMENTS

HUNGARY’S GOVERNMENT HAS CONTINUED TO SIGN STRATEGIC COOPERATION AGREEMENTS WITH THE LOCAL UNITS OF MNCs. THE LATEST WERE WITH AMERICAN CONTRACT ELECTRONICS MANUFACTURER JABIL CIRCUIT (WHICH HAS INVESTED HUF 75 BILLION ($223 MILLION) IN THE COUNTRY OVER THE PAST 13 YEARS ON MARCH 12), DANISH WINDMILLER LEFOH ON APRIL 16, CHINESE ICT COMPANY HUAWEI TECHNOLOGIES SIGNED IN BUDAPEST ON APRIL 18, ISRAELI GENERIC DRUG MAKER TEVA ON MAY 2, AND JAPANESE TIRE MAKER BRIDGESTONE ON MAY 15 (AS WELL AS WITH HUNGARIAN ROAD MAINTENANCE COMPANY WADERÉS) ON APRIL 26. SINCE THE SUMMER OF 2005, THE GOVERNMENT HAS SIGNED 35 STRATEGIC AGREEMENTS WITH THE LOCAL UNITS OF ALCOA, AUDI, COCA-COLA CONTINENTAL, DAIMLER DALKIA, GENERAL ELECTRIC HANKOOK (IBM, MICROSOFT NATIONAL INSTRUMENTS, NOKIA, SIEMENS, SANDOF), STADLER RAIL, SUEZ TATA CONSULTANCY SERVICES, AND TESCO AS WELL AS WITH HUNGARIAN DRUGMAKERS PEDEÑE RICHTER. IT EXPECTS TO SIGN ABOUT 40 SUCH AGREEMENTS.
MACROECONOMICS

Hungary Finally Exits The Excessive Deficit Procedure
by GABRIELLA LOVAS

Revised figures show that Hungary’s economy came out of recession in the third quarter of 2012, but the underlying picture is less cheerful.

Although recent macroeconomic indicators show some improvement, there is no sign of the long-awaited turning point for the economy. Analysts warn that a slowdown in the pace of the current unprecedented global monetary easing could significantly hurt Hungary’s economic outlook; they urge efforts to improve the country’s business environment now, while there is still excess global liquidity.

By definition, recession is finally over in Hungary. According to initial figures published by the Central Statistics Office (KSH), GDP fell in all four quarters last year. However, revised KSH data shows that GDP actually stagnated in the third quarter and fell only a slight 0.4% in the fourth. As recession is defined by two consecutive quarters of falling GDP, the stagnation in the third quarter took the economy out of recession. Preliminary KSH figures show that GDP rose 0.7% quarter-on-quarter and decreased only by 0.9% in the first quarter of 2013, compared to the corresponding period of the previous year. The KSH blamed the decrease on a decline in the industrial sector adding that the performance of agriculture and construction increased.

There is a good chance that inflation will be below the 3% central bank target in 2013 following last year’s relatively high 5.7%. Twelve-month headline inflation dropped below the target to 2.8% in February and slowed further to 2.2% in March and to 1.7% in April. The decrease in headline inflation was primarily due to an 8.4% drop in household energy prices following the government mandated 10% reduction in gas, electricity and district heating prices from January 1. Buda-Cash analysts note that there is reason to be positive about indicators for manufacturing and agriculture, too.

The trouble is that it does not seem like Hungary is turning a corner. First of all, despite the favorable figures, analysts see significant downside risks to economic growth. While the government’s GDP growth forecast for this year is 0.7% and 1.9% for 2014, analysts do not rule out the possibility that Hungary’s economy will contract again, primarily due to weak domestic investment and to the eurozone’s troubles. Buda-Cash analysts argue that as unemployment remains high and households keep paying back their debt, domestic spending continues to decrease. The construction industry is still struggling and investments cannot pick up from their low levels in the current uncertain business environment. Confidence among businesses and households remain fragile.

Where could growth come from? Equator retail division head András Szántó expects GDP to increase 0.1% this year and 1.4% the next, driven by export and tourism, and he sees a chance that the performance of the agricultural sector could improve. Despite decreasing consumer prices, Szántó does not foresee an upturn in domestic consumption, thus retail sales will remain weak. He said there are serious question marks over the 2014 election budget.

THE VARGA PACKAGE AND THE EDP

Convincing the European Commission to recommend lifting the excessive deficit procedure – finally achieved on May 29 – had long been a priority for the government. To exit the EDP, a member state must show it is capable of keeping its deficit under the 3% threshold in a sustainable way over a two-year period. Hungary’s budget deficit to GDP ratio was 2% in 2012, while in 2011, the year when Hungarian private pension fund assets worth a total of HUF 3 trillion were nationalized, it had a 4.3% budget surplus.

Hungary had been under the procedure ever since its accession to the EU in 2004.

The Varga package includes a HUF 92.9 billion freeze on budget expenditures, which equals about 0.3% of GDP; the difference between the government’s projections and those of the EC for the country’s deficit in 2013. Had the EC deemed it insufficient, the ongoing financing of major one-off government investments might also have been suspended, providing additional savings of around 0.2% of GDP. If the two measures, together worth HUF 150 billion, had still proven insufficient, the government said it was ready to raise special taxes on banks, the income tax on energy suppliers and the financial transaction tax. "The fact that the transaction tax has not been increased; although it would have been an easier solution to the deficit problem than the delaying, for instance, sport stadia investments, strengthens our view that the government is trying to avoid conflicts with the banking sector in order to boost lending,” said Buda-Cash analyst Balázs Török.

The Commission acknowledged in its recommendation to European Union finance and economy ministers that an adjustment of Hungary’s excessive deficit had taken place, and it projected a deficit of 2.7% of GDP in 2013 and 2.9% in 2014.
Some analysts see high potential in the Hungarian bourse, while others do not expect an outstanding performance in 2013.

Although global expansive monetary policy could drive up the Hungarian stock market, the domestic growth outlook remains subdued and corporate performance is weakened by special taxes and regulations. On the other hand, some see high growth potential on the Budapest Stock Exchange (BSE) as most Hungarian blue chips are currently considered undervalued.

"Decline in turnover on the global markets as well as an unpredictable domestic investment environment have had an effect on the BSE's accomplishments," said bourse CEO Zsolt Katona, after its annual general meeting on May 16. He added that he looks forward to the planned launch of the XETRA system later this year.

The BSE's monthly report based on data provided by brokers shows that double-counted share turnover on the BSE dropped 4.4% to HUF 175 billion in April 2013, down from HUF 183 bln in March. Turnover in January and February were a respective HUF 197 bln and HUF 193 bln. This translates into a HUF 4.8 bln average daily turnover in April, down from HUF 9.7 bln in the previous two months and HUF 9.2 bln in January.

The top three brokers were Concorde Securities with 18.2% of share turnover in April, followed by Erste Investment with 12.1% and Equilor Investment at 11.9%. Turnover on the derivatives market grew 8.2% to HUF 237 bln in April.

STOCKS TO WATCH
In the upcoming 12 months, Equilor’s favorite stock on the BSE is pharmaceutical producer Richter, says chief analyst Ákos Kuti. He believes that the company’s stock could be back in the MSCI Hungary Index in November due to its increasing turnover since it was excluded from the index last November. This, Kuti says, could bring about a fast recovery for the stock based on the 10% loss suffered after it was dropped for not being able to reach the minimum liquidity requirement.

Kuti argues that Richter’s fundamentals are strong; it has an attractive product range and geographically well-diversified operations with around 90% of revenues coming from outside Hungary. The company’s annual general meeting approved a 1.10 stock split, which could improve Richter’s liquidity as the high price per share discourages retail investors. The split will come into effect in late September or early October. Richter CEO Erik Bogsch projects 3% growth in this year’s revenues in euro terms, adding that sales in China could reach €30-35 million.

OTP Bank is another interesting pick, especially since chairman-CEO Sándor Csányi said in a radio interview in May that the bank had made an offer to acquire one domestic peer and is in "very serious negotiations" on buying another. This statement immediately inspired a guessing game in the market with potential targets including CIB Bank and the German-owned MTB Bank and smaller banks such as Crediten, BNP Paribas, Commerzbank and Deutsche Bank. Csányi noted that several banks ("not just small ones") want to exit Hungary, adding that the question is whether these will be bought by another foreign bank that wants to expand its base in Hungary, by OTP, or by the Hungarian Development Bank (MFB).

NEW IPO
Investment company Altera launched an initial public offering in March. This was not just another technical listing, but a real IPO, although the results fell short of the board’s expectations to raise shareholders’ equity to more than HUF 2 bln. Altera offered 200,000-1,250,000 shares to investors at a price of HUF 2,250 per share, which translates to HUF 400 mln-3 bln in fresh capital. However, investors bought only 294,000 shares, increasing shareholders’ equity to HUF 650 mln.

The company’s investment strategy, the so-called Altera hybrid model, combines various asset categories, such as corporate bonds, growth stocks, high dividend yield stocks and bonus certificates. Altera keeps its cost levels low by not paying salaries and allowances to management. Instead, they are compensated by a net-profit success-based fee mechanism.

There is already another investment company in the BSE, Potinus, which was listed on the BSE in February 2011. Altera chairman Barnabás Szabó pointed out earlier that the main differences between the two companies lie in their respective investment strategies and size. As Potinus’ shareholders’ equity exceeds HUF 700 bln, the two companies’ size is roughly the same now.

Chancellor Angela Merkel was famously once asked by then British Prime Minister Tony Blair what was the secret to the resilience of Germany’s economy. Her answer was typically matter of fact, and possibly a little playful: “Mr. Blair, we still make things.”

Some analysts see high potential in the Hungarian bourse, while others do not expect an outstanding performance in 2013.

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Vished through the post-depression prism, Merkel’s remark makes ever more sense. The United States and the UK, encouraged by the Reagan-Thatcher revolution in greasing up the markets, increasingly focused their economies on services, particularly financial services, the very things first hit when the crisis broke in 2007. There is a common thread that connects Iceland, Greece, Cyprus, even Spain, and that is over reliance on the service sector.

Hungary’s government has made no secret of the fact that it wants to boost employment – one of the first pledges Fedor made in the days after he was elected was to create one million work places in 10 years – and particularly manufacturing jobs. That matches the automotive and electronic manufacturing industries, arguably the two pillars of the country’s faltering economy, ever more important. It should come as no surprise, therefore, that the government is currently finalizing strategy documents for each of them with direct input from across each industry, and that the two sectors were the focus of AmCham’s Second Industrial Strategy and Innovation Summit, held on June 3, the day before Voice went to print, and jointly organized with the Association of the Hungarian Automotive Industry (or MGEs, to use its Hungarian initials).

Mark Hetényi, VP Finance Europe for Frestronics, and AmCham board member, heads the electronic manufacturing services (EMS) industry strategy working group. He doesn’t expect the government to act on anything contained in the current version of the document, but does think the strategy paper will do more than simply gather fine words, and then nothing else but dust on some ministry shelf.

“The economy ministry already circulated it within appropriate government departments, which is why we are confident we have pretty good buy-in, but we are not expecting them to implement everything,” he says. “If we get 10-20% of the recommendations implemented, we will already be happy, get up to 50% and we will be breaking out the champagne, but the document is only a starting point.”

For all of that, though, he is hopeful. “I am a born optimist, it is a fault of mine. But the government is in line with global political rhetoric in talking about creating more manufacturing jobs; those kinds of initiatives are high on the agenda. All the stars in the constellation are in the right place to make things happen here.”

István Lepsényi, President and CEO of Knorr-Bremse Hungary (part of a group which describes itself as the world’s leading manufacturer of braking systems for rail and commercial vehicles), headed the working group developing the automotive strategy. He is similarly optimistic the recommendations, or at least some of them, will be adopted. “The government is listening, and listening very seriously,” he says. “We will measure success for the strategy not in how much is adopted, but in numbers for the growth of the industry. Our industry requires high R&D levels, for example, even from component suppliers, so one of our KPIs is how much is being spent on R&D.” Lepsényi also acknowledges an unspoken truth about government policy: it cannot afford not to support these industries. “Just look at the ‘weight’ of the automobile industry in the economy, in the percentage of GDP it generates, in the share of exports.”

Not that companies from either sector are about to take anything for granted. Péter Tálos is managing director for Taiwanese electronic manufacturer Foxconn in Hungary, and moderator of the regulations discussion panel at the conference. He acknowledged that many EMS providers in Hungary had benefited from a lowering of the effective income tax rate, but said it was still “very high.” The main focus, though, is on the broader picture.

OWN FORTUNE

“Government can do a lot of things, of course, but I strongly believe every enterprise is responsible for making its own fortune. Speaking as a Hungarian citizen, I want to contribute to government, to share with them what I can to help drive strategy in the right direction. If this country is to become the most attractive investment destination in the region, the government needs to develop an environment that is not just

THE KEY FOR ALL THIS WILL OBVIOUSLY BE THE AVAILABILITY OF ENOUGH ENGINEERING TALENTS

National Economy Minister Mihály Varga met with executive vice president Toshiba Suzuki of Japan’s Suzuki Motor Corporation on May 28 regarding the company’s possible further investment in Hungary, the National Economy Ministry told state newswire MTI. The ministry offered no further detail on the talks. Suzuki Motor Corporation’s Hungarian unit, Magyar Suzuki, operates a production plant in Újpestom.

New automotive sector capacity slowed the decline of Hungary’s industrial output in March, detailed data published by the Central Statistics Office (KSH) on May 15 showed. Lifted by additional capacity at German carmakers Daimler and Opel, output in the motor vehicle segment rose 6% year-on-year in March. At the same time, output in other sectors, even key ones like electronics and pharmaceuticals, fell; the computer electronics and optical segment dropped 6.3%, and pharmaceuticals plunged 20%. Headline output fell 2.5% in March – as in the first reading of the data published on May 7 – slowing from a 5.3% drop in February. Adjusted for the number of workdays, output edged down 0.7% in March, after falling 3% in February. In a seasonally- and workday-adjusted month-on-month comparison, output rose 0.6% in February, accelerating from a 0.3% increase in February.
good, but that is believed to be good.” It is an interesting, and important, distinction. “One thing the government should pay much more attention to is stability and reliability in the legal environment. It is not really predictable at the moment. When you are playing Monopoly, you need to know the rules are fixed, that they won’t change while you are playing.”

The importance of the automotive and EMS sectors to the Hungarian economy is clear from the figures. “The car industry produces 19.4% of Hungary’s total industrial output, and exactly 20% of total exports,” says György Kerekes, vice president of the Hungarian Investment and Trade Agency. “We need these success Hungarian companies were selected as a suppliers’ day with the company base in Hungary, but HITA organized four of the 20 biggest integrated first round (Tier One) suppliers are here in Hungary too, and they are probably more important that the OEMs, in that they have the largest potential for growth and further employment.”

IMPRESSIONS

The figures are no less impressive for the electronic manufacturing industry, which produces 5% of Hungary’s total GDP. “Hungary is the largest electronic producer in Central and Eastern Europe, in fact one-quarter of the entire region’s output comes from here,” says Kerekes. Almost all of what Hungary produces, 92%, goes for export, with the sector generating 110,000 jobs. Six of the top ten global EMS firms are present in Hungary: Foxconn, Jabil Circuit, Electronecs, Samynna-SCL Zöldfin, and Videonet (the latter is by far the most successful Hungarian electronic manufacturing company, and according to HITA data is ranked as the ninth largest EMS provider in Europe).

The challenge for the sector is that there are very few equivalents to the automotive OEMs in Hungary. “The main problem is that a large part of the production in Hungary depends on subcontracting, which means there are fluctuations in the workforce. Jabil, in eastern Hungary, was employing 6,000 people in January, in April it was only half of that,” Kerekes said. “We would like to invite more big name brands here, not to be so dependent on subcontracting fluctuations.”

For the past 20 years, the focus of much Hungarian state intervention was directed at the automakers themselves, and with good reason. “Without them, there would be no industry here at all,” points out György Kerekes, vice president of the Hungarian Investment and Trade Agency.

“Now we have to focus on the integrated suppliers, because they will employ more Hungarian work force. The second, third and fourth tier integrators will in turn require more suppliers, and that will include Hungarian SMEs.”

The process has already started, says Kerekes, with financial packages and training programs being put in place. The e-Market website enables Hungarian SMEs with a proven capacity to meet auto supplier criteria to upload their profiles.Registered integrated suppliers can view all the profiles when searching for new partners.

SMEs are being offered training in everything from soft skills, in logistics, to training people, quality management, even Rek. “There are obstacles to overcome, but that is now our mission. In the next two years we would like to train – and I mean quality training, not just attending a workshop – 200 SMEs.” Some 26 companies are now receiving training in lean manufacturing techniques with Japanese assistance, a further 34 will receive international automotive training. The courses are quite expensive, Kerekes concedes, but half the costs are met by HITA.

And there have already been successes: Opel has recently picked six Hungarian companies (from a shortlist of 20) to become global suppliers for the GM marque. BMW has no manufacturing base in Hungary, but HITA organized a suppliers’ day with the company in Munich, at the end of which three Hungarian companies were selected as global suppliers. “We need these success stories to show other Hungarian companies that you can become not just a local supplier to a tier four component manufacturer – which is already something – but a global supplier to the likes of Opel or BMW.”

Bosch Building

German engineering company Bosch launched the second phase of a HUF 30 bln (EUR 115 mln) base in building in Budapest on April 3. The company will inaugurate the site’s first building this summer. More than 50 staff in development, sales and administration at Robert Bosch Kft. and Bosch Rexroth Kft. will move into the facility. Bosch started building the base in 2011, and completion is expected in 2012.

Javier Gonzalez Pareja, who heads Bosch’s businesses in Hungary, said the company’s ReDi center in Budapest, which it rents, already employs about 850 engineers, but headcount is expected to climb above 1,000 soon as more departments are added. Bosch employed about 8,000 people in Hungary at the beginning of 2012.

Audi TT

made in Győr
German carmaker Opel started a €130 mln (HUF 36.5 bln) expansion at its Flex engine plant in Szentgotthárd on April 9. The expansion, announced by Opel vice president Joachim Kauschke and Prime Minister Viktor Orbán in February, will add another 1,600sqm of production space at the base, creating more than 100 jobs, the company said. The beginning of 2014 should see the expansion completed, with trial runs starting next April. Opel decided on the expansion because it expects demand for engines no bigger than 1.4 liters to rise. The plant will start manufacturing those engines next year. The Flex engine plant, put into operation last September with an initial investment of €500 mln, started serial production of medium category 1.6-liter petrol engines in February, and will produce 1.6-liter diesel engines soon. The expansion will raise the plant’s production to almost 600,000 engines a year, and will employ nearly 1,500. Including the latest expansion, Opel has invested €4.4 bln (HUF 115.5 bln) in Szentgotthárd since 1990.

Electrolux, made in Hungary

Japan, Korea and Taiwan are the main targets. I am travelling to South Korea in a few weeks to meet with companies interested in manufacturing in Hungary.

For years the fear has been that production will be moved further east to lower-cost production bases. Hétényi has long argued that Hungary should no longer be considered, or indeed market itself, as a low-cost producer, but rather concentrate on its value added, highly skilled workforce. It is a point echoed by Volker Schilling, general manager of Robert Bosch’s unit in Harvan, some 25 km northeast of Budapest, the largest plant within the worldwide Bosch Group producing automotive electronics parts and systems. “Some of the ‘low-cost, low-skill’ commodities produced for years in Hungary are now starting to face competition from maturing production sites further east,” he explains. “Actually, we are building a new automotive electronics factory in Cluj in Romania, and this plant for sure will aim to reach our quality and delivery performance while beating our prices.”

Schilling goes on to explain that there is nothing to be feared from that move, however. “Our expertise in Hungary has been growing for 15 years now, and we are ready to take on more responsibility. We still want to grow significantly in Hungary, but with a changed focus on more technical products like radar and sensor systems for driver assistance and comfort. And these are not only products which had been moved from Germany to production in Harvan, but also those developed by Hungarians in our R&D center in Budapest.” Schilling is convinced that the migration strategy from a ‘low-cost production site’ into a ‘local high-tech value chain’ with integrated development and production, as well as strong local suppliers, is the success path for further industrial growth in Hungary, provided the workforce is there. “The key for all this will obviously be the availability of enough engineering talents.”

Kerekés adds that it is possible to overcome cost questions. Electrolux manufactures large kitchen appliances such as fridges in Hungary, exploiting the country’s excellent location and infrastructure to export them to Europe. “Electrolux will stay here because it is not possible to move that production to the Far East and keep it financially viable,” he explains. And he claims that even labor costs are becoming less of an issue. “I was speaking to a Nokia board member last year and he told me that now the actual cost per person is about the same in U.S. dollar terms in Hungary and China; in the last five years wages have stagnated in Hungary, while in China there has been a 45% rise.”

Ivan Hutter, general manager, GE Lighting EMEA, spoke at last year’s conference. He sees real possibilities in the government’s vision of making the country a manufacturing workshop for Europe. “Hungary has a great history with deep-cultural roots, talented and flexible workforce and developed infrastructure. All this is accessible at a competitive cost base and with tax efficiencies at the heart of the European Union. I believe the equation of quality over cost puts Hungary amongst the most attractive locations for R&D and manufacturing of technology intensive products,” he says. “Strategic partnerships with the government give technology investors a voice in economic policy and we already see the positive impact on innovation.” Hutter adds. “Eastern Hungary has all the benefits of western Hungary, such as infrastructure and talented workforce, but at an even more competitive cost base. I see tremendous potential in investing in the eastern region of Hungary, especially in the Hajdúszoboszló [in the Nagy Állóág or Great Hungarian Plain in southern and eastern Hungary], which is proactive in attracting investors. GE has a large lighting technology production facility in the city of Hajdúsúzó, and it is a Center of Excellence for state-of-the art green lighting technologies and our measures of productivity, innovation and cost are all globally competitive. The municipal leadership is pro-business and we have an outstanding overall experience being part of the city and Hajdúszoboszló.”

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**HUNGARIAN INVESTMENT AND TRADE AGENCY**

The most important tasks of the Hungarian Investment and Trade Agency (HITA) include supporting the foreign trade activities of Hungarian small- and medium-sized entities on the one hand, and encouraging foreign enterprises to invest in Hungary on the other. The agency is a central organization subordinated directly to the Prime Minister. Its activities are controlled by the Prime Minister, as provided by law, via the State Secretary for Foreign Affairs and External Economic Relations at the Prime Minister’s Office. Further information can be found at www.hita.hu

**FURTHER FLEXING**

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involved, he is relishing the chance of seeing two such important industries presenting a combined approach to government. (Hetényi estimates that “eighty to ninety percent of the changes we want are roughly the same, there is a synergy about what we want to achieve.”) Says Kilán, “I hope with these panel speakers from top companies and also the government we will have very good discussions on what is happening in our industries and what should happen in the future, worldwide and in Hungary.” Lepényi says he is “looking forward to exchanging experiences and learning from each other, and making some common approaches with the government representatives.”

UPBEAT FUTURE
Kilán is upbeat for the future. “I really believe we are able to move up the value chain a lot in the last 23 years. Some of the best companies in the world have invested in Hungary, and we have a good chance to grow, together with them, in the long-term – not just the next five to 10 years, but the next 30 to 50 years.”

DAIMLER DOORS
The Hungarian unit of German automotive industry supplier Brose has completed a HUF 625 mln ($38 mln) investment at its base in Kecskemét, home to German peer Daimler’s plant in Hungary. Brose Hungary Automotive told state newsweekly MTI on May 22. The company won HUF 1.6 bln in European Union funding and state co-financing for the investment, which created 35 jobs. The Brose unit supplies the Daimler plant in Kecskemét with doors, and can make up to 2,200 units a day.

All our interviewees spoke about the need to focus on education, to ensure engineering and scientific students are exposed to modern work practices and equipment while still at university or college. There was praise for the first steps taken toward developing “dual education” (combining apprenticeships in a company and education at a vocational school in one course), and a recognition it would take time for the resultant better-adapted students to appear in the workforce. Not everyone thinks the dual education program is properly developed yet though. Schilling says Robert Bosch pioneered the system in Germany more than 100 years ago, and Hungary would be wise to have a second look at the way it works there. The highly useful “Mechatronics Technicians’ qualification, for example, is not currently offered in the Hungarian dual education system. “Regarding terms and conditions of TÁMOP, you have to have at least 50 apprentices to qualify for a governmental vocational contribution, and we don’t understand why this is tied to each legal entity, rather than a group – Robert Bosch has six legal entities in Hungary, each would have to employ 50 apprentices to get the subsidies.” The employer remains committed to the principal, but Schilling says, “There is still more to do to give dual education in Hungary a real push.”

Interestingly, HIT&K’s Kerkes places education only second on the list of top three challenges facing the two industries. “The number one challenge from the Hungarian SME side is the lack of management knowledge.” He says the typical head of the 2,000 or so active Hungarian SMEs is technically very gifted, possibly even brilliant, but with “little knowledge about management, language skills, or an ability to cope with the growth of their own company.”

EAGLE EXPANDING
Michigan-based automobile interior maker Eagle Ottawa is boosting capacity at its base in the Hungarian city of Szolnok to meet increased demand, having laid the cornerstone of a HUF 2 bln ($8.9 mln) expansion on May 7. The company is expanding capacity at the base by 25%. Eagle Ottawa Hungary managing director Bryn Kahrl said the expansion would raise headcount of full-time workers in Szolnok from 800 at present to more than 1,000. Interiors made at the plant go into vehicles made by BMW, Daimler, Ford, Honda, Hyundai-Kia, Land Rover, Renault-Nissan and Toyota.

BOSAL BENDING
Dutch automotive industry supplier Bosal has completed a HUF 958 mln ($4.2 mln) investment, Bosal Hungary director Gergely Göteisch told MTI on May 27, an investment which has created 25 jobs, raising headcount to 235. The unit raised capacity by almost 25%, adding a painting line, welding robots, bending machinery, saws and packaging lines, Göteisch said.

IMAGING SOFTWARE
GE Hungary is developing clinical imaging software and lighting technology solutions with HUF 1.4 bln ($6.1 mln) in support from the state’s Research and Technological Innovation Fund. The research projects include software that can help doctors better navigate during an ultrasound or catheterization procedures, and lighting that is more efficient, environmentally friendly and easier on the eyes.
Seven Newly Accessible Old Photos In Fortepan

As we reported previously in this magazine, Fortepan.hu is a free, searchable public archive of 20th century photos, established and maintained by Miklós Tamási and Ákos Szepessy. Since its 2010 launch, it has developed month by month; several dozens of people have donated images, and all are credited. You can download and freely use photographs in large resolution, even for commercial purposes: you should only refer to Fortepan – and the original donor, if indicated on the website. Every now and then there are special editions. The photos shown here are from a recent one, dedicated to a lesser-known photo-journalist, Márton Ernő Kovács, and were taken between 1945 and 1950, in that brief and busy period of semi-democracy, followed by Communist rule. The photos were discovered and donated to Fortepan by photo historian Károly Kincses.

1. THE OLD ELISABETH BRIDGE BEING DISMANTLED
The beautiful art nouveau-style bridge was blown up – as were all the others – by the retreating German army in January 1945. The parts that fell into the water seriously obstructed river traffic and had to be cleared away. It happened largely through manual labor, as is evident from this photo. In the telltale background you can see a now missing spire (Greek Orthodox church), a missing residential block (corner of Régiposta utca and now Apáczai Csere János utca), and what was the only surviving hotel on the riverfront. It was pulled down in the mid-’60s, to be replaced by the oversize Marriott hotel (originally the Inter-Continental, completed in 1969).

2. CAFÉ RABSZEM IN SPRINGTIME
Normal life returned remarkably quickly after the war, with all the little luxuries. Cafés and cinemas soon opened: this espresso (“Piece of Beans”) operated in 26 Magyar utca, opposite Károlyi Gardens, a nice tucked away public park. The Vintage Gallery is found here today, which specializes in photography. You can buy original artworks by both known and unknown artists, plus pictures by contemporary artists who use photography as a medium.

3. STREET SCENE AT GÁT UTCA (DISTRICT IX)
A quiet side street featuring a horse-driven garbage cart and no cars! In the adjoining street (named after Kalmán Thaly, the poet and scholar known as “the Hungarian MacPherson”, who fabricated and published fake early 18th century folktales) you can spot a sort of frozen city development, the Bauhaus style elegant block built on the new, wider street line, while the village like smaller house still sticks out as a sore thumb. And it would do so for a long time, until the early 2000s.

4. MOTHER, TRYING TO KEEP PACE
Many kids were born just after the war; this one seems to be addicted to speed. This scene was recorded in Fővám tér, possibly before it was renamed after Marshall Tolbuhin. The bridge here would no longer be called Francis Joseph Bridge when reopened, but Liberty Bridge. Interestingly and unusually, the original name has never been restored! In the elegant residential block there is the office of a great art patron who spends a lot of money on independent theater and programs to expand Roma chances for civil equality.

5. “THERE SHOULD BE A BOOK IN THE HANDS OF ALL WORKING PEOPLE”
So reads the sign seen in the window of this shoe shop, the picture shows the beginning of the ever-stronger political indoctrination that first flooded public spaces, then shop windows, later schoolrooms and factory floors, even the front of trams (seriously!). This was to be an era when there was even a red star atop the National Museum and the lookout tower of Szent István Hill. To make this process even more absurd, the more signs citizens could spot, the less shoes were available in the shops.

6. HIGHER, HIGHER IN THE SOCIAL HIERARCHY
This photo summarizes a lot from the late ’40s and early ’50s – to a certain extent it is like a Dutch miniature. We are confronted with a lady in her 20s, probably in an office at a Budapest factory. There is phone, a ledger, a copy of the Communist daily (its Orwellian name is “Free people”), a paperback Communist brochure, and a leather suitcase. The mild smile is neither ostentatious, not aggressive. Given her age and the circumstances of the time, she most probably skipped grammar school and may attend night university classes. Let’s hope she is still alive and a happy great grandmother these days, and that her private life was not crippled, as was that of so many of the fast risers from this period.

7. DRESSED TO THRILL
Márton Ernő Kovács was basically a sports photographer, but was gradually attracted to other subjects. Shooting as a sport was (and to some extent still is) not only a career for young people. The tension in this photo obviously stems from the age and the dress of the sports lady in her 50s. Her tongue in cheek countenance is a hint at the staged scene. The shadow makes the weapon look even bigger than it is (it is most probably a standard one for competitions of the day).
AmCham Advocacy

Advocacy, by its very nature, is not always carried out in public; indeed, often it is extremely wise that it is not. And yet, advocacy is also one of the key roles performed by any business association. In order to keep members better abreast of what is being done on their behalf and in accordance with the consensus reached in the chamber, AmCham has decided to share some information with readers of Voice in regular advocacy briefings.

"We continue to work closely with our contractual party, the Hungarian government, in line with the strategic agreement signed in February 2011," explains Peter David, CEO of AmCham. "Whether our suggestions and recommendations are approved by the Members of Parliament and incorporated into new laws is something we have no influence upon, but we have the mandate to comment on new drafts and governmental concepts, articulating the business community’s views. We always do so with the improvement of the country’s global competitiveness in mind and will carry on like this as long as possible," he added.

RECENT HIGHLIGHTS:
On May 3, AmCham submitted its proposals to amend the Labor Code regulations regarding working on Sundays and public holidays in the manufacturing sector. The submission was a joint effort by several AmCham groups, namely the Electronic Manufacturers’, HR, Labor & Education, and Regulatory Committees. The executive summary of the submission, sent to Secretary of State Sándor Csomba in the Ministry of National Economy, makes the point that since the new Labor Code came into force there has been a lot of positive feedback from AmCham member companies proving that, generally speaking, it has lived up to their expectations. The new code significantly contributes to improving the competitiveness of Hungarian businesses and employment growth while favoring the employers’ and employees’ autonomy extension and their agreements. “Nevertheless, several member companies active in the manufacturing and production sectors have recently expressed their concerns about the regulations for Sunday and public holiday working hours,” the executive summary reads. “For companies producing directly or indirectly for export as part of the international supply chain, § 101-102 of the Labor Code could cause a significant decrease in international competitiveness as this regulation excludes the possibility to work in normal working hours on Sundays and on public holidays.”

A month earlier, AmCham offered its comments to the Ministry of Public Administration and Justice on the White Paper of the new Civil Code. The White Paper is a strategic document prepared by the ministry to define the scope of necessary regulatory amendments and new legislations in order to create a regulatory environment that is harmonized with the legislative framework of the new Civil Code by the time it will come into force on March 15, 2014. AmCham made both general and specific recommendations in the following four areas: harmonization of terminology; establishment of regulatory cohesion; amendments to laws directly related to the Civil Code; and new legislation to be drafted.

AmCham welcomed the objectives of the White Paper, but emphasized the need for a more detailed and specific document on the necessary amendments to effective legislation. It also argued that new laws should be prepared to “ensure regulatory cohesion and legal stability”, and pointed out that the March 15, 2014 deadline is very tight, saying that when setting the legislative agenda, lawmakers should allow time for society in general, and for those practicing law in particular, to get familiar with the new legislation so that all – including business entities - could adjust their regulations and practices accordingly.

Communication should never be a one-way process, of course, and the government recently wrote to AmCham, thanking it for the “valuable contribution” the chamber has made to the Simple State Program. The program, launched in November 2011, aims to reduce the amount of reporting obligations will end for companies spending on bureaucracy by HUF 580 billion. According to Mihály Varga, Hungary’s Minister for National Economy who wrote direct to the chamber, most of the 114 measures included in the program had been implemented by February of this year. In his letter, Varga thanked AmCham “for your support in creating the Simple State Program, designed to help reduce administrative burdens. Your comments made a valuable contribution to the program, which now offers a realistic solution to entrepreneurs’ everyday problems.”

The minister also took the opportunity to outline some of its successes. “Eliminating duplication of reporting obligations was the goal of the Simple State Program and therefore remained a guiding principle throughout [...] From January 1, 2013, the system determining the amount of cash benefits will be reformed and therefore the duplication of reporting obligations will end for employers who do not qualify as a social security pay point.”

Another important part of Simple State is the increase access to the electronic solutions. “Electronic administration and interoperability between public bodies can significantly reduce the administration burdens of the enterprises,” Varga writes. “In this respect a lot of progress has been made, in the case of specific policy areas (tax, agriculture, transport, investment), as well as regarding state level electronic developments. The majority of the actions are in progress, scheduled to be completed in the second half of 2013.”

The minister says the government will organize an economy forum to “present the current results of the Simple State program and to discuss the possibilities of further decreasing administrative burdens”.

At the time of the program’s launch, Minister of State for National Economy Prof. Dr. Zoltán Csfátfay said the cost of official administration for businesses exceeded 10% of gross domestic product. It was expected to cut the annual average cost of bureaucracy from HUF 3 million to HUF 580,000 per business, he added.
The Motivation And The Message by ROBIN MARSHALL

In a sense, they are two sides of the same coin, as, in order to motivate people, whether it is to attend a meeting, to buy your product, or even accept your help, you have to give them the right message.

The sales manager for Cisco in CEE only took up his AmCham role in February of this year and already the committee has met with the State Secretary for Infocommunications Vílmos Vályi-Nagy, though Takács is quick to credit full to his predecessor as head of the committee, Péter Paul.

"Péter initiated last October or November, then early this year the state secretary met with him, László Metzting (AmCham COO) and myself, and we invited him to attend a meeting of the IT committee. He was very open to the idea, and very quick to find a date: four or five weeks later, which for someone as busy as a state secretary is pretty good," Takács recalls.

The purpose of the meeting, from AmCham’s point of view, was to find out what the government needs and wants, and to offer constructive support in delivering that. “One of the biggest issues, actually, is the education of the next generation, and especially how to handle IT-based education. In a lot of cases, children have more IT knowledge than the teachers. The second biggest challenge is how to reorganize the whole of government IT use, including things like cloud computing and Bring Your Own Device. Security, for example, will be a very important issue with BYOD.

In these kinds of topics we – the Oracles, the Googles, the Ciscos, the IBM’s – already have experience somewhere in the world. The question is, how we can bring those best practice lessons from our worldwide experience to bear to help Hungary?”

Takács says the committee found Vályi-Nagy ready to talk. “It was a very open discussion. I think the biggest surprise for all of us was that he was really very professional, with an extremely deep knowledge of all the latest IT technologies; he made an absolutely positive impression. He was very critical of himself and his organization, and realistic about the challenges facing governmental IT.”

Education we have already talked about, and Takács said the state secretary admitted IT had not been a point of focus within the education system, there have been few if any teach-the-teachers initiatives, and this was one of the factors contributing to Hungary’s worrying lack of engineers, scientists, and technologists. And of Hungary. “Unfortunately, it is much worse in the countryside, the Cisco manager warns. Another area of concern for the state is IT in healthcare, both in terms of the Electric Café and its culture and best to utilize it. And that brings us back to Takács’ belief in the importance of getting the message right. Health professionals do not come from the same background as IT professionals, and there is no point, therefore, in using IT’s usual jargon-littered language: “We have to find the right means of communication to show a hospital director how IT solutions can help him.”

Indeed, Takács says that approach isn’t just limited to healthcare. “We have to simplify our means of communication to all decision makers. We have to find the right methods; we have to make sure they are there; and then we can offer them IT-based solutions. We have to motivate them, show them results. In the past IT was a point of cost for a lot of decision makers, but now, step by step, we are beginning to realize all the benefits that can arise. There is a lot of money that can be made if you use IT in the right way; if you can use big data in the right way.”

Big data, for once, is an IT term that makes sense to the everyday person. There is already a lot of data out there. It is estimated that one-third of the world’s access to the Internet today via some 15 billion devices, as those numbers grow, so ever more information will be produced. Data mine it in the right way, and there is big money to be made. Takács says the explosion of interconnectivity, the resultant big data it generates, and the ever more creative ways in which it will be exploited, are massive trends just around the corner.
SMEs In The Anti-Corruption Front Line

It is ordinary citizens who pay the real price for corruption, AmCham's first vice president David Young told a seminar aimed at SMEs.

“Corruption is expensive and it is those citizens who pay taxes who foot the bill,” said David Young, who is also a member of AmCham's Governance and Transparency Committee. The chamber “believes very strongly that transparency and competitiveness are linked; a corrupt country is less competitive and hence less prosperous,” he said. "Enterprises need predictability and a legal environment capable of providing equal opportunities, equal predictability and a legal environment that provides equal opportunities, equal access to information and a public administration accountable to those who use it. Small- and medium-size enterprises are on the forefront of this battle.”

Corruption threats and the challenges of ethical business conduct were the main topics of the SME Courage seminar and roundtable organized by Telenor Hungary and Transparency International with support from AmCham Hungary. It also saw the presentation of a free e-learning tool jointly developed by TI and Telenor to help companies navigate their way through the corruption minefield.

“There is no simple and fast solution to corruption that is not excessively present in business and political life,” warned Noémi Alexa, Managing Director of Transparency International Hungary. Lots of small steps, however, could begin to make a difference, she insisted.

“A majority of company leaders wish to operate in a fair way, although it is “to make a difference, she insisted. Enterprises need predictability and a legal environment that provides equal opportunities, equal access to information and a public administration accountable to those who use it. Small- and medium-size enterprises are on the forefront of this battle.”

Telenor, partly owned by the Norwegian state, has long had an enviable reputation for its ethical approach to business. Frank Klausz, chief corporate development officer of Telenor Hungary, told delegates the company had waited eight years to build its headquarters in Budapest rather than play the usual game of getting the process with cash payments. In the end, the local authorities realized that Telenor would never pay – and it was getting no benefit from the rates on the property – and granted all the necessary permits.

The same approach is taken wherever the company does business. “Whether in Norway or Bangladesh the expectations are the same across the group,” said Christopher Laska, CEO of Telenor Hungary. The pressure on SMEs just to survive is potentially greater, and the temptation to take a shortcut commensurately bigger, particularly in a financial crisis, Laska said. “It is much easier to be lured into taking a short cut to get a benefit in the short-term.” SMEs who rejected that approach were, he said, the “true heroes.”

Zoltán Papp, managing director of logistics company Bau-Trans Kft, said that while taking the ethical higher road might be more difficult in the short-term, it held real long-term benefits. He had “a significant waiting list” of people who wanted to work for his company because of its reputation. Customers also valued knowing that Bau-Trans wouldn’t try to “buy” success, but would rather concentrate on delivering service. “We have gained a competitive edge by being different,” Papp said. For a start, having nothing to hide means Bau-Trans doesn’t need to fear publicity. “We are completely legal, so we are not afraid to stand out in public. This has been a break through for us.” Interestingly, he said surveys had shown a price tolerance of up to 20% where “existing customers are happy to pay our prices because they can rest assured their good will be legally and safely delivered.”

Singularity: A Brave New World?

In the near future, the world’s food resources are likely to become seriously depleted, since there is simply not enough soil for all the plants and animal needed to sustain us. Is this the end of the world, as we know it? Not necessarily.

A ground breaking technical philosophy called singularity may provide answers to humanity’s many aching problems, lack of food included, according to Rob Nail, CEO and associate founder of Singularity University.

Singularity is the theoretical emergence of super intelligence through technological means. But for Rob Nail it means so much more. The young CEO has been interested in biotech and robotics for a long time: he co-founded Velocité in 1999, building automation equipment and robotics for cancer research and drug discovery. He traded in his CEO role for that of a general manager after his company was acquired by Agilent Technologies in 2007, attempting to be a catalyst for change at a big company, before eventually giving that up in 2009 “to go surfing”.

Singularity University was founded with the goal of positively impacting humanity “by assembling, supporting, educating and inspiring future leaders across the globe who can harness the power of exponential technologies to improve the lives of a billion people within a decade”.

“The question is not if, but when it is going to happen,” is one of Nail’s mottos. At a special breakfast briefing in Budapest on April 12 he showed examples of technological advances the like of which we might expect to see only in science-fiction movies and computer games. Contrary to today’s pessimistic evaluations, Nail firmly believes that the world has evolved considerably in the last century, and the next could be even more dramatic.

“The last hundred years have been extraordinary in terms of progress to the human condition. Still, the progress of humanity is tightly tied to technological advances,” Nail explained.

Of course, the future might not be so bright if we don’t use the technological advances available to us in a smart way. Observing the tablet industry, Nail said you can clearly see the fast evolutionary pace of technology. “Five years ago this technology didn’t exist even, and in five years every conference will have tablets virtually for free, every conference will have tablets instead of paper,” thinks Nail.

“About ten years ago, the processing power of a $1,000 laptop could be compared to an insect’s brain, today it can be compared to a mouse’s brain, in ten years it will equal a human brain, and ten years after that it will be comparable to the power of all the human brains on the planet,” he explained. He believes three key things will happen to everything that is technology based: they will be “digitalized, dematerialized and democratized”. He uses the example of how cameras and flashlights became just applications on mobile phones. “We turned them into a virtual thing, and there soon will be an app for virtually everything.”

What’s even more exciting according to him is that it is not only technology that can be “digitalized” like that, but also real objects. 3D printing is actual technology today. The first handgun made with a 3D printer has been successfully test fired in America. In the near future we will likely be able to make 3D print motorcycles, or even parts of houses.

Even animal and human DNA can be “digitalized”, and basically recreated. The technology is becoming ever cheaper, so preserving, and recreating human genomes – effectively creating life – will be virtually free in the future. Of course, there are still legal problems concerning this kind of technology. Besides creating life, recreating the legal problems concerning this kind of technology. Besides creating life, recreating the...
The government having done much to restore balance to the Hungarian state budget, Antal Rögán told AmCham members at a breakfast briefing that, “If there is a risk for 2013, it is growth-related: it is not equilibrium that will jeopardize the economy.”

Speaking in the Marriott on April 18, Antal Rögán explained that the financial crisis had hit Hungary so hard because it exposed the inherent risks in an unbalanced state budget, a high general level of indebtedness throughout society, and a dangerously leaky banking system with a 160% loans to deposits ratio. “Hungary had become like the veterinarian’s horse, carrying all the symptoms of all diseases,” Rögán joked, using an uniquely Hungarian expression.

The head of governing party Fidesz’s parliamentary group, chairman of the parliamentary committee on economics and IT and Mayor of inner-city District V, Rögán said the government had taken the difficult option of trying to restore balance without causing “irreparable tensions” in society through deep austerity cuts. The budget was now balanced, he insisted, with equilibrium restored to the “subsystems” of pensions, healthcare and local government financing. Time would tell whether the government’s growth forecast (recently downsized to 0.7%) was more accurate than those from the IMF and EU, which see little or no growth, but the politician had made it clear who he was more inclined to believe: “For two years the Hungarian Government has had better calculations than the experts of the EU.”

Rögán complained that Hungary is sometimes unjustly attacked by its critics in Europe, but was robust in his defense and uncategorical in his insistence that Hungary had been right to join the Union and remained committed to it. “We respect that Hungary, through joining the European Union, has also to accept that European legal norms are binding on itself. That is only right, and has never been questioned.”

He acknowledged “great tensions between the European Commission and the government”, but added, “managing that is in the interest of both sides”. “Where there is conflict between Commission law and Hungarian law, as before we are always ready to manage this and adjust Hungarian law to it […] Hungary has respected and always will respect its obligations resulting from its membership of the EU.”

Speaking in the context of the somewhat controversial Fourth Amendment to the new Constitution, Rögán said it was this that had given the courts the power to ban the “Uncle Varga” acrobats in a provocative move by right wing bikers. “A year ago, when there was no such amendment, it was not even possible to ban this march.”

Elsewhere, Rögán made it clear that he favored merging the Hungarian Financial Supervisory Authority (Pénzügyi Sikkerítő Hivatal, or PSzÁF) with the central bank. “I argued for this merger one year ago,” he said, adding that, after talks with the European Central Bank it had been agreed any such move “would only be possible after there was new leadership at the national bank […] that is why it is back on the agenda again.”

He said such a merger was far from unique in the region, estimating there were five countries that follow such a model, and eight that do not. “European Central Bank President Mario Draghi himself came from a central bank that did not have full oversight, but did have some of the rights.” Rögán thought the idea was liked by central bankers and “good” commercial bankers, but accepted others were less enthusiastic. “Venture capital companies are not fond of this, so [financial and philanthropist] Mr [George] Soros will not like it, which is natural because capital market transactions would be under tighter control of the central bank.”

More discussions would follow with the ECR, Rögán said, and there are some outstanding issues, such as whether insurance and securities oversight should also be part of PSzÁF’s remit, should also pass to the MBFI. “I think a decision will be taken this year, and it is possible that before summer it will be brought before parliament, not necessarily approved, but at least discussed.”

Unusually for a government that is never less than forthright in defense of its policies, Rögán did concede one error of judgment. “One of the biggest mistakes we made in 2011 was not being honest enough that for sustainable long-term equilibrium we would have to maintain the surtaxes. Had we done that, things would have been more predictable for companies, perhaps not more friendly, but it would have allowed a clearer relationship.”
Improving Market Access

Nargiz Nasrullayeva-Muduroglu, Executive Director of the American Chamber of Commerce in Azerbaijan, talks us through some of the challenges and successes of the chamber since its formation in 1996.

Notable successes since foundation: AmCham Azerbaijan now consists of more than 250 members active in every sector of the Azerbaijani economy and represents 80% of all foreign – as well as a significant portion of local – investment. We published the first ever Parliamentary Guide with detailed information about the structure of parliament and contact details of MPs. Recommendations from our position papers on various legislative aspects were reflected in some vitally important legislative acts like the Amendments To The Tax Code and the Azerbaijan 2020 Development Concept. Significant improvement in migration practices is also a success indicator for our policy direction. Over the course of AmCham activities, apart from a number of social and business events, we have added an annually held Tax Conference to our events schedule.

Current advocacy and lobbying campaigns: We are currently lobbying on two issues raised by members concerning VAT and pharmaceutical parallel import and import of counterfeit medicines.

What have you found to be an effective approach? Individual approaches to members. Members love it when you treat them personally. We have even recently developed an individual member inquiries service as a separate product offered by the chamber to our members. We have a dedicated team member dealing with this service.

What has not worked? Our Member-to-Member Discount Program hasn’t worked, at least as for now. We have made a number of efforts to re-design and refresh the mechanism and communication strategy with no significant effect since 2008.

Historically speaking, what particular problems have faced businesses in your country? Well, lots of them! We highlight them all in our white paper published once every two years. The most vulnerable of them are rule of law and market access.

Number one challenge facing business today? Market access.

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New members On Board

CORPORATE

Capita Hungary Kft.

Managing Director: Mr. Attila Urbanovics
Address: 1074 Budapest, Dohány utca 13.
Phone: +36 1 328-6500
Fax: +36 20 984-0980
Web: www.capitaifs.com

Capita Hungary, part of Capita plc, UK’s leading provider of outsourcing services - is a premium corporate service provider based in Budapest. Our clients include multinational groups from the oil & gas, manufacturing, real estate, finance, and telecommunications industries, originating from various jurisdictions including USA, Canada, Europe and the Middle East. We are well positioned to provide outsourced administrative services to companies resident in Hungary. Our services include accounts solutions, local office infrastructure, corporate governance, reporting (corporate and regulatory), cash and asset administration.

ORCO Vagyonkezelő Kft.

Deputy CEO: Mr. Nicolas Tommassini
Address: 1062 Budapest, Andrásy út 70.
Phone: +36 1 880-7200
Fax: +36 1 880-0314
E-mail: svjaar@orccgroup.com
Web: www.orccgroup.com

Orco Property Group is an active investor, developer and asset manager in the Central European real estate and hospitality market, operating in Central Europe since 1991, and with main focus on Germany, Czech Republic, Hungary, Poland, Croatia and Slovakia, having EUR 1.8 billion assets under management. Orco Property Group is a Luxembourg registered company with its headquarters in Paris. The group develops and manages office, retail and residential portfolios, operates the luxury Maison Boutique Hotel Chain, and offers special venue locations.

T-Systems Magyarország Zrt.

CEO: Mr. Robert Budafoki
Address: 1117 Budapest, Budafoki út 56.
Phone: +36 1 452-1401
Fax: +36 1 452-3402
E-mail: info@t-systems.hu
Web: www.t-systems.hu

T-Systems, a leading provider of services for the global telecommunications industry, is committed to delivering information and communications technology services to businesses worldwide. T-Systems’ mission is to enable business success and create value for clients by using our considerable innovation and implementation capabilities. T-Systems’ services enable major operators to improve revenue and reduce costs, and to meet the needs of their customers in an ever-changing digital world.

BUSINESS

EuroAtlantic Solutions Kft.

Managing Director: Mr. Gábor Rona
Address: 1062 Budapest, Andrásy út 12.
Phone: +36 1 354-0203
Fax: +36 1 354-0204
Web: www.euroatlanticsolutions.com

We assist our clients in achieving their business objectives through shaping a favorable business and policy environment. We enable them to control external factors so as to better plan and execute their investment strategy, and, ultimately, increase their shareholder value.

JobCTRL Informatikai Kft.

CEO: Mr. Attila Vadasz
Address: 1118 Budapest, Rékhöz u. 5.
Phone: +36 1 464-6160
Fax: +36 1 464-6168
E-mail: info@jobctrl.com
Web: www.jobctrl.com

JobCTRL is an award-winning system, methodology and service that takes quality assurance, project and workforce management to an absolutely new level: provides real time, trustworthy and authentic information about every single work process in the company, a totally transparent operation and has proven to boost individual and group efficiency by a measured minimum of 13%.

On Line System Kft.

Managing Director: Mr. Imre Balogh
Address: 1037 Budapest, Montevideo u. 3/B.
Phone: +36 20 984-0980
Fax: +36 1 328-6800
Web: www.intellicom.hu

On Line Systems is an ICT service provider company. Our products and service portfolio consists of Internet Access VOIP, and system integration activities. Our customer base includes SMEs, call centers, and municipalities, as well as non-profit organizations. Our target is to become a significant player on the Hungarian market.

NON-PROFIT

Common Purpose Magyarország Egyesület

Member of the Board of Trustees: Ms. Györgyi Orosz
Address: 1051 Budapest, József Attila u. 1. I. em. 2.
Phone: +36 1 338-0905
E-mail: info@commonpurpose.org.hu
Web: www.commonpurpose.org.hu

Common Purpose is an international, not-for-profit organization that runs leadership development courses, which mix people from the private, public and non-profit sectors. We help people, organizations, cities and regions to succeed by broadening the horizons of their leaders and developing their ability to work together to lead complex change.

JOIN US TODAY

For information visit our website at www.amcham.hu or contact our Membership Manager, Csilla Fall in the AmCham Office (Phone: +36 1 226-5880, E-mail: csilla_pal@amcham.hu)
HOW WOULD YOU DESCRIBE THE CURRENT BUSINESS ENVIRONMENT IN HUNGARY?

Challenging. Most business people expected the economy to bounce back after the initial impact of the financial crisis. Many businesses had become somewhat complacent in the benevolent growth years until 2008. The challenge now is to adapt to a stagnant environment.

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

The general lack of growth in the economy and the high degree of uncertainty investors have become extremely cautious and businesses are managing their costs very tightly. There is a dearth of capital market and property transactions. All of this makes for a very challenging market for professional services. As a result, a growing proportion of our service portfolio now consists of compliance services and our export client revenues are growing rapidly.

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

Hungary is a small country with an open economy, integrated into the EU and global economies. We are highly dependent on the development of the international business environment. In view of this and the high levels of public debt, there is not much that can be done in terms of short-term fixes. However, one area that could be addressed is the overburdening red tape. To varying degrees, most companies and taxpayers suffer from its negative impacts. I believe that one of the main reasons that we struggle to build an economy based on vibrant homegrown businesses is that bureaucracy and over-regulation often suffocate them. To make matters worse, that provides opportunities for corruption, damaging all businesses, but especially the smaller ones.

WHAT IS IMPORTANT TO BELONG TO AN ORGANIZATION SUCH AS AMCHAM?

The core values of our organizations are closely aligned, particularly as regards good governance, transparency and integrity. We believe in the benefits of a market economy, based on fair competition. Therefore, it is only natural that we should support AmCham.

WHAT ARE THE ADDITIONAL BENEFITS OF BEING A PATRON?

We have been a member of AmCham for many years. Becoming a patron member is commensurate with KPMG's status in the Hungarian economy and offers the opportunity for closer cooperation for the benefit of the Hungarian business community.

This is the first hotel in Hungary to offer a so-called self-checkin facility. The self-checkin is basically an automated pod for checking in and out without standing in line and is really fast.

This is not the only reason why you should visit and stay at our hotel. Let’s take a quick look around: after you’ve parked your car in the hotel’s 90-space garage and just before heading for your spacious room, grab some snacks, chips, alcoholic or non-alcoholic beverages or a fresh salad from the fridge of the novelty Grab and Go kiosk next to the reception, replacing minibars in the rooms.

Isn’t it great to have a little something to chew on while staying in any of our 110 standard rooms, 20 superior rooms or right junior suites? The rooms are characterized by sophisticated interior design and comfort in addition to state-of-the-art technology, including flat screen TVs with international satellite channels, free Wi-Fi access and the notebook-sized safe deposit box.

Here you can enjoy the freshly prepared and rich international and Hungarian-style buffet breakfast, lunch and dinner, which you can work off in the hotel’s gym.

With a total floor space of 360 square meters (3,960 square feet) and a ceiling height of almost six meters (19 feet), the ballroom would even fit to serve as a car showroom. Also, there is no need to worry about excessive neon light exposure, as the skylights supply the room with natural light and fresh air. The combined capacity of the hotel’s six conference rooms (600 seats) makes it an ideal venue for practically any type of event. A professional conference organizing team awaits your request.

Promotion
AmCham Events – Photo Coverage

SEMINAR & COCKTAIL: DATA PROTECTION – WHERE ARE WE HEADING?
Tuesday, May 28, 2013
Location: InterContinental Budapest

(L-R) Ashley Winton, Partner, White & Case LLP London,
Dr. Balázs Fazekas, Counsel and Practice Head, Réczicza White & Case LLP,
Dr. Endre Győző Szabó, vice president of the National Authority for Data Protection and Freedom of Information (NAIH)

AMCHAM CAREER SCHOOL WITH VIKTOR KASSAI, INTERNATIONAL SOCCER REFEREE
Tuesday, May 7, 2013
Location: AmCham Conference Room

A DAY TO MAKE IT HAPPEN WITH AMCHAM FOUNDATION
Saturday, May 4, 2013
Location: Kerepes Social Care Center
VISIT YOUR FELLOW AMCHAM MEMBER: MEDICOVER EIFFEL CLINIC
Tuesday, April 9, 2013
Location: Medicon Eiffel Clinic

BIG DATA, APPS AND THE HUMAN FACTOR
Friday, February 22, 2013
Location: KöVærk Office
Dr. József László,
Senior Advisor, L&D Apps

SUCCESSFUL FEMALE ENTREPRENEURS AND LEADERS SME SEMINAR
Friday, February 22, 2013
Location: KöVærk Office
(L-R) Ilonka Szüts, winner of the AmCham Women of Excellence Award 2011,
Dr. Sándor Edezi, chair of the AmCham SME Committee,
Dr. Szilvia Gyurkó, winner of the AmCham Women of Excellence Award 2012

BODY LANGUAGE IN BUSINESS MORNING SESSION WITH DEIRIC MCCANN, SUPROLES INTERNATIONAL
Tuesday, March 19, 2013
Location: InterContinental Budapest

EFFECTIVE TOOL FOR CONTROLLERS MARKETPLACE EVENT
Thursday, March 7, 2013
Location: AmCham Conference Room
János Babos,
Managing Director, Process Solutions

EMPLOYEE RISK MINI SEMINAR
Thursday, February 21, 2013
Location: AmCham Conference Room
Gábor Füzér,
Assessment Systems Hungary
Get maximum value out of your European network

What would you do if you wanted to expand your business beyond Hungary's state borders? How would you start if, for instance, you wished to figure out whether there is any demand for your line of business and if it is something the locals might appreciate in Slovakia or Germany? Send a fact-finding group on an exploratory trip there? Or try to identify local partners? Hire an agency? Talk to the local authorities? Well, you have something readily at hand that is so much simpler than any of those options. Come to AmCham Hungary and we will support you - anywhere in Europe!

Did you know that as a member of our chamber, your company belongs to a Europe-wide organization per se? It is called the European Council of American Chambers of Commerce (or ACE for short). Founded in 1963, it was created to exchange best practice ideas, mutual member company benefits and to provide a forum for discussions and representation on issues relevant to the European business environment. ACE stands for the corporate interests of more than 17,000 American and European companies based in 41 countries and employing more than 20 million people. ACE's member companies account for about $1.1 trillion in investment on either side of the Atlantic. The membership of ACE is not defined by geographical borders, but rather by a willingness and ability to contribute to the network, as well as the basic requirement of being accredited by the U.S. Chamber of Commerce.

In short, you as a member of AmCham Hungary are part of a smoothly operating business network and it is really up to you how you benefit from this affiliation. By the way, I personally have the honor to serve on the Executive Committee of ACE since last December, we can say that you have a representative in the managing body of the association. The fact that I was elected onto the Exec.Co reflects the general high recognition for AmCham Hungary in ACE, which is down to several reasons, not least some good lessons my colleagues CEOs learned from my predecessor in Hungary, Péter Füh, now our Secretary Treasurer. In a nutshell, if you have bold plans and envision putting your feet down somewhere else, come and talk to us here in Budapest. Chances are, we will be able to help you in making the first steps in other countries based on our close cooperation with other AmChams.

Péter David
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