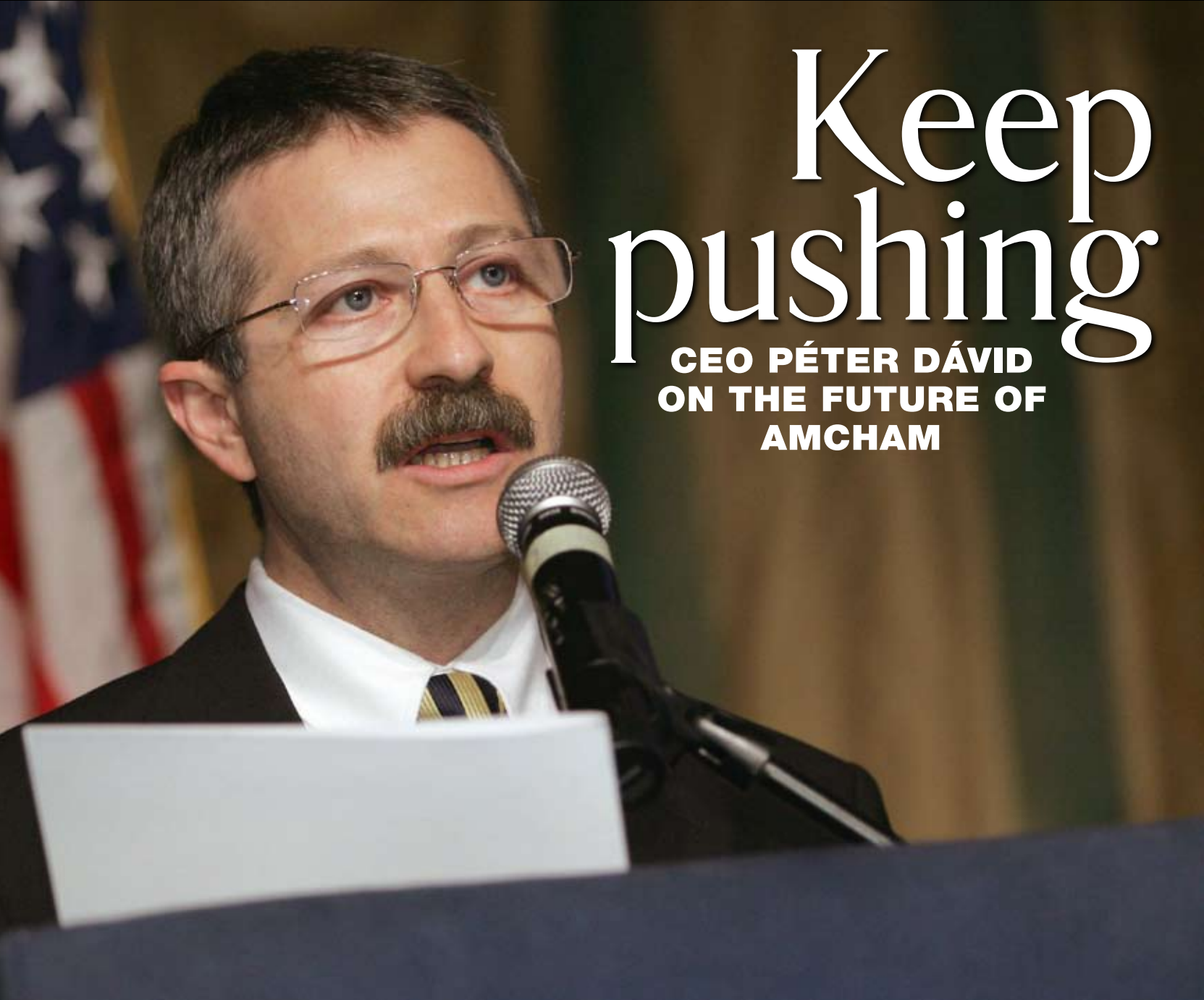


# AMCHAM HUNGARY

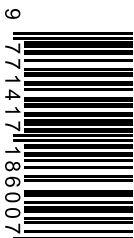
A PUBLICATION OF THE AMERICAN CHAMBER OF COMMERCE IN HUNGARY

NOVEMBER/DECEMBER 2009 – VOLUME XX/8



## Keep pushing

**CEO PÉTER DÁVID  
ON THE FUTURE OF  
AMCHAM**



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### Chilly messages

**INVESTORS SENT  
OUT INTO THE  
COLD**



### Survey says

**NEGATIVE  
SOCIAL  
TENDENCIES  
HURT**



### Available options

**CREATING  
A ROMA  
TOURIST  
CENTER**



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# Dear Members and Friends

IT WAS TRULY an event which we worked hard on, as we wanted to make it memorable. We wanted to celebrate our first 20 years and say "thank you" to all those who contributed their time and work all these years. The venue was not only appropriate but also reflected our tradition of holding these black-tie events every five years in the Hungarian Parliament. I was really happy to see over 350 guests, among them many familiar faces and old friends of our chamber.

I would like to thank speakers Péter Oszkó, minister of finance, Stephen Brugger, chairman of the European Council of American Chambers of Commerce, Jeffrey D. Levine, chargé d'affaires ad interim of the Embassy of the United States of America, professor Paul Marer from the CEU Business School, and István Havas, country managing partner of Ernst & Young, and board member of AmCham, as the representative of the diamond sponsor of this celebration. We also presented awards certifying longtime service and valuable contribution to the work of AmCham to 34 people and the board granted honorary membership for life to Zsuzsa Rajki for her longtime service as a board member and for her 20 years of dedicated work and terrific contributions.

We are very thankful for the significant support members have shown regarding the 20th Anniversary.

But life goes on. The challenges and tasks do not diminish or decrease, and the new board elected on December 1, 2009 will inevitably have an exciting year in 2010 to fulfill the election commitments.

Here I would like to say special thanks to outgoing Board Members Péter Paál, László Szakál, Erzsébet Antal, Barbara Brill, and Chris Mattheisen. They have served the board either for two or four years, and I have to say, it was an honor for me to work with them.

You can read in this issue about our Annual General Assembly and about the new board members, truly reflecting the diversity of not only our organization but also our membership. I am excited to work with David Young, Steve Corwell, Ferenc Pongrácz, John Cantwell, Andrea Jádi-Németh, and Frank J. Klausz 3rd.

As we are approaching the holiday season, I wish all of you a merry Christmas and a prosperous New Year!

Best regards,  
Gusztáv Bienert



**"A merry  
Christmas and  
a prosperous  
New Year!"**



# Keep pushing

## CEO PÉTER DÁVID ON THE FUTURE OF AMCHAM

It is AmCham's main task to keep issues like Hungary's competitiveness and the fight against corruption on the public agenda, says CEO Péter Dávid. "Even if the ultimate results are beyond the control of our organization, we have to keep pushing, and we will."

BY HENK HIRS

**T**HE CELEBRATION OF THE 20TH BIRTHDAY of AmCham Hungary on November 6 was used by the organization to set out some guidelines for the future, based on more than 30 interviews with opinion leaders affiliated with AmCham. "The majority of these opinion leaders – current and former leaders of AmCham and longtime supporters – are of the clear opinion that neither the name of the organization nor our mission statement needs to be changed," says Dávid. "The name is an established brand, well recognized in society and expressing what we are standing for, while our mission statement – representing American and other foreign investment and striving for more competitiveness and transparency – is as valid as ever."

### MISSION

STILL, IT IS CLEAR THAT HUNGARY'S competitiveness has eroded over the past years, and one could well ask what that says about AmCham's activities in this respect, he acknowledges. "The reality is, of course, that this is beyond our direct control. But, we need to keep pushing for this goal with the government, legislators, and all other stakeholders involved and keep the issue on the agenda for the good of this country and for business in this country. This is what we can and must do."

Much the same applies to the question of corruption, the fight for transparency, and better corporate governance, Dávid says. "Nowadays, the most frequent question I get from foreign investors wanting to know more about Hungary is not what the situation is like with the economy or taxes or wages, but what the situation is with regards to corruption. They want predictability, openness, and fairness, and sadly, I have to tell them that this is not always the case. I believe that lack of transparency is the number one issue, and we must continue to advocate for this in the public sector, in the business world, and in our parliamentary democracy in general."

AmCham will also continue to represent business interests, Dávid says, acting and advocating on behalf of its members if and when there are certain difficulties and issues. There is also a need to explain to authorities and the public at large what companies are doing here, and why and how they benefit Hungary, not only in terms of money and jobs, but also of know-how, industrial and business culture, and social corporate responsibility.

There is wide agreement that in striving for these goals, AmCham is not competing with other organizations, but should be cooperating closely with other chambers like the German and the British, with business organizations like the Joint Venture Association and the Hungarian Service and Outsourcing Association, with NGOs, and with universities and schools like ELTE, Corvinus, CEU and the Budapest Business School.

### ACTIVITIES AND BENEFITS

IN THE MEANTIME, AmCham is "well on the way" to develop new benefits and services for its members, Dávid emphasizes. "For example, we want to be more selective in organizing events, making sure that the ones we do organize are of high-value content and fit in well with other AmCham programs and goals." Maybe AmCham will also offer separate events for a selected public, such as corporate members or SMEs, he says.

Recently, the AmCham Market Place program and the Membership Card program have started, where companies can offer member-to-member services and discounts to each other. The success, of course, depends on the active involvement of member companies, Dávid says. "There are several other major innovations and changes on the way. The first in line is a new visual identity, which was unveiled during our anniversary ceremony at the Parliament and has been used ever since. We have decided it was time to modernize and rationalize our communications with members and the external audience, so for that end, we are launching a new portal, and AmCham's monthly magazine will be rebranded and restructured. We are doing all this with a reduced staff and in an economic environment where it is more difficult to find sponsors. All this adds up to each and every one having to give 120%. And I encourage our members to get involved in our activities, especially in the professional work of committees and councils, as we do need the input of many more companies – their knowledge, their experience, and their time," Dávid concludes. ★





# AmCham celebration

## 20 YEARS OF CONSTRUCTIVE PARTNERSHIP

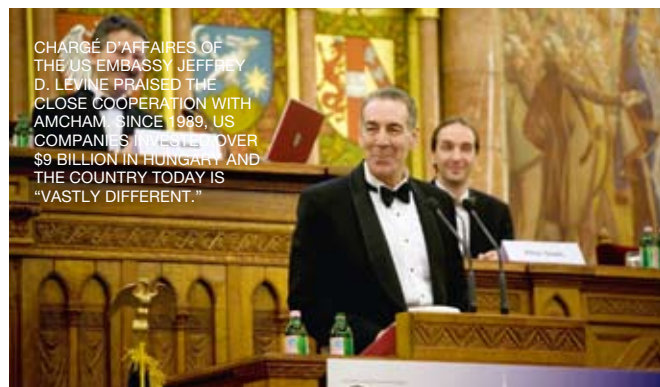
IN HIS OPENING SPEECH AT THE CELEBRATION OF AMCHAM'S 20TH ANNIVERSARY ON NOVEMBER 6 IN THE OLD UPPER HOUSE OF PARLIAMENT, AMCHAM PRESIDENT GUSZTÁV BIENERTH CONGRATULATED THE AMCHAM MEMBERS FOR ALL THAT HAS BEEN ACHIEVED OVER TIME. HE THANKED THEM FOR THEIR WORK AND EFFORT, WHICH IS WHAT MADE AMCHAM WHAT IT IS. BIENERTH REITERATED AMCHAM'S COMMITMENT TO COMPETITIVENESS AS THE CORNERSTONE OF ITS POLICY, AND TO UNBIASED DIALOGUE AND AN OPEN SOCIETY, PROMISING A MORE PRO-ACTIVE COURSE. HE ALSO LAMBASTED THE PESSIMISM AND SELF-PITY HEARD IN SOME SECTIONS OF SOCIETY. "STOP THIS NONSENSE, BECAUSE IT IS NOT TRUE. WE ARE NO BETTER AND NO WORSE THAN OUR COMPETITORS AND WE HAVE TO LOOK AHEAD," HE SAID. BIENERTH ALSO ANNOUNCED THAT AMCHAM ESTABLISHED A NEW "PUBLIC SERVANT OF THE YEAR" AWARD, TO BE ANNOUNCED EVERY 1ST OF JULY, FOR OUTSTANDING ACHIEVEMENTS IN REDUCING STATE BUREAUCRACY.



MINISTER OF FINANCE PÉTER OSZKÓ SAID "WE HAVE TO TARGET FISCAL BALANCE AND COMPETITIVENESS AT THE SAME TIME."



CHARGÉ D'AFFAIRES OF THE US EMBASSY JEFFREY D. LEVINE PRAISED THE CLOSE COOPERATION WITH AMCHAM. SINCE 1989, US COMPANIES HAVE INVESTED OVER \$9 BILLION IN HUNGARY AND THE COUNTRY TODAY IS "VASTLY DIFFERENT."



ISTVÁN HAVAS, COUNTRY MANAGING PARTNER IN HUNGARY OF ERNST & YOUNG (DIAMOND SPONSOR OF THE CELEBRATION), WAS NOT THE ONLY ONE POINTING OUT THAT, IN SPITE OF ALL PROGRESS, HUNGARY IS ALSO FACED WITH GROWING DISAPPOINTMENT, SUSPICION AND EVEN HOSTILITY TOWARDS THE MARKET ECONOMY.



"AMCHAM HUNGARY HAS REALLY MADE A DIFFERENCE," SAID STEPHEN BRUGGER, CHAIRMAN OF THE EUROPEAN COUNCIL OF AMERICAN CHAMBER OF COMMERCE.







34 PEOPLE RECEIVED AN AWARD FOR THEIR HARD WORK AND COMMITMENT TO AMCHAM AND ITS ACTIVITIES, BE IT AS PRESIDENTS, BOARD MEMBERS, COMMITTEE CHAIRS OR FOUNDERS.



THE NEW LOGO OF AMCHAM WAS UNVEILED BY CEO PÉTER DÁVID AND HANNES WIRNSBERGER, CEO OF DDB.



ZSUZSA RAJKI RECEIVED HONORARY MEMBERSHIP OF AMCHAM FOR HER LONGSTANDING COMMITMENT TO THE WORK OF THE CHAMBER AND OF THE AMCHAM FOUNDATION.



MIKE KELLY RECITED THE INSPIRATIONAL AND MOTIVATIONAL POEM "IF", BY RUDYARD KIPLING.



BOTOND RENCZ, HEAD OF AMCHAM'S TAX COUNCIL, PERFORMED THE OFFICIAL BIRTHDAY TOAST.



THERE WERE SPECIAL THANKS AND A WARM APPLAUSE FOR PÉTER FÁTH, CEO OF AMCHAM FROM ITS FOUNDATION IN 1989 UNTIL FEBRUARY 2008.



DINNER RECEPTION



PIECE OF THE GRAND ANNIVERSARY CAKE PROVIDED BY THE BUDAPEST MARRIOTT HOTEL



CSABA CSEDÓ (PIVOT HUMAN CAPITAL), ÉVA VIRÁG (HEWITT) AND SÁNDOR ERDEI (DBH BUSINESS SUPPORT)



JULIA AND LES NEMETHY WITH ILONA JANKOVICH (PROFI POWER) AND BARBARA BRILL (EMMIS INTERNATIONAL)



FORMER PRESIDENTS, DIAMOND AND GOLD SPONSORS, AND SPEAKERS



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# Looking back

LONG-STANDING

MEMBERS REFLECT ON AMCHAM'S HISTORY

## WHAT WAS THE MOST MEMORABLE AMCHAM EVENT YOU HAVE ATTENDED, AND WHAT MADE IT STAND OUT?

"The most memorable AmCham event for me was its foundation session which took place on November 30, 1989 in Budapest. It was a really unique and thrilling, unforgettable event, like a starting love romance. That afternoon, some Hungarians and Americans came together with the declared and published aim of founding the American business lobby – the first one of its kind in this region – to further increase and strengthen trade, investment, and other cooperative ties between Hungary and the United States where hundreds of thousands of Hungarians – immigrants, refugees – found home."

*Gyula Béla Bányai, senior journalist, Világgazdaság*

"Among the most memorable, I would include horse-loving former president Ed Bush's farewell reception at the Marriott when we brought a live pony onstage, Boney M.'s first appearance at the AmCham's Valentine's Day Ball, and the time I lasted 25 moves during an AmCham-sponsored simultaneous chess match against a 15-year-old Peter Leko, who is today one of the top chess players in the world."

*David Young, managing partner, Amrop Kohlmann & Young*

"AmCham's 10th Anniversary celebration in the Congress Hall of Parliament and the short meeting with President Clinton at the airport. Both of these events demonstrated that AmCham Hungary has become a mature organization that is respected by its members as well as by other stakeholders."

*Tibor Vidos, regulatory government relations and legal affairs officer, Crnogorski Telekom*

"The first AmCham Hungary EU lobby tour in September 2003. Just before the historic accession of Hungary, it marked the country's re-admission into the European club. Also, it was a great recognition of AmCham's work that we were greeted warmly and treated very seriously wherever we went in Brussels."

*Károly Fekete, managing partner, Consulting Group Buda*

"Bringing donations to the children at the home in Girincs and seeing their ecstatic faces when Ronald McDonald sang with them. The return you get from reaching out to children in need is much better than any financial return you can ever dream of."

*David McCall, general manager, Wampum*



The Founding Assembly on November 30



Delivering Thanksgiving gifts to children



US President Bill Clinton

1989

1991

1994

## 20 FACTS ABOUT AMCHAM HUNGARY:

- 1 It was the first AmCham in Eastern Europe
- 2 AmCham has organized close to 2,500 business-related networking events
- 3 There are 103 AmChams worldwide
- 4 AmCham has written 15 position briefs and papers since

2000 on national competitiveness, taxation reforms, and foreign direct investment

5 AmCham hosted US Presidents George Bush, Bill Clinton, and George W. Bush

6 In 2008, 5,808 people participated in 130 events

## IN WHAT WAYS HAS YOUR AMCHAM MEMBERSHIP BENEFITED YOU IN THE BUSINESS COMMUNITY?

"AmCham provided a great network of people and institutions that helped me to improve my knowledge and increase my exposure to Western business practices and skills, while being a great potential market for services at the same time."

*Tibor Vidos, regulatory government relations and legal affairs officer, Crnogorski Telekom*

"I was duty editor of Hungary's only business paper, *Világgazdaság*, at that time. AmCham membership was – and has been ever since – an immense source of invaluable information. AmCham membership enabled me to have easier and quicker access to exclusive American sources of information on US decision makers, potential US investors, corporations, and companies that wanted to come to Hungary. And this information was very useful to our readers, to Hungarian political decision makers, and to foreign companies intending to come here, including German ones."

*Gyula Béla Bányai, senior journalist, Világgazdaság*

"I met several leaders from different sectors of the economy; I learned different perspectives [in addition to one about] health care. I took part in several meetings where I had the opportunity to understand different rationales on finance, taxation, labor, and legislation. I must say, it was a very interesting experience."

*László Polák, director strategic affairs, Johnson & Johnson MD&D*

"I was the only Hungarian on the first board. As the CEO of DOW Hungary – the first manufacturing investment in June 1989 – and founder of AmCham, I had the honor in the early '90s to meet and share the initial experiences with most of the potential investor candidates who intended to enter the Hungarian market. This opened a new horizon to get acquainted with the view and concerns of the various industrial segments."

*Zsuzsa Rajki, board member, AmCham Foundation*

"AmCham has provided a forum where our company could meet partners who share many of the same American values that we operate by. Over the years, these contacts developed into business opportunities."

*Peter Freed, president, Duna Elektronika*



AmCham President Ed Bush and his horse



Microsoft founder Bill Gates



Valentine's Day Ball with Boney M.

**1994**

**1997**



Business leader George Soros



US Ambassador Nancy Brinker



AmCham soccer tournament

**2001**

**2003**

**7** AmCham has 11 committees and four councils that represent AmCham members' interests

**8** The average age of the AmCham staff is 35.1

**9** AmCham has held three US-election parties since 2001 with 3,950 participants in total

**10** In 2008, four out of 12 AmCham board members were named Peter

**11** AmCham has hosted 15 Valentine's Day balls with special guest stars, including Boney M. in 1997 and 2009

**12** AmCham was the first foreign chamber of commerce to obtain the ISO 9001 qualification



"I have been an active member of the American Chamber of Commerce since 1991, and for me, AmCham is very much an integral part of my business life in Hungary. AmCham has given me numerous business connections, many insights into business and politics in this not uncomplicated country, and many long-term friends."

*David Young,  
managing partner, Amrop Kohlmann & Young*

"Being a member of AmCham means that you are associated with a great organization, one which is looking out not only for business interests, but the interests of the whole community. AmCham members recognize that in each other."

*David McCall, general manager, Wampum*

"My six years as chair of the Euro-Atlantic Committee blended very well with my advisory business specializing in EU matters. It provided extra contacts, insight, information, and, from time to time, even new clients."

*Károly Fekete,  
managing partner, Consulting Group Buda*

"I met many of the CEOs/GMs of other companies, and we exchanged ideas and experiences."

*Charles A. Huebner,  
partner, iEurope Capital*

### OVER THE LAST 20 YEARS, WHAT ARE SOME OF AMCHAM'S ACHIEVEMENTS OR INFLUENCES THAT YOU FIND THE MOST SIGNIFICANT FOR HUNGARY?

"AmCham has championed several issues and made its voice heard when others have remained silent, or when others were not yet thinking that far ahead. AmCham was recycling before it was chic. AmCham was leading the tourist revolution before tourism was an issue. AmCham was cooperating with Junior Achievement and making recommendations regarding the educational pillar of the country before most understood that business could benefit education. AmCham sponsored REACH and emissions trading workshops long before most even knew what their definitions were. Thanksgiving transformed a practice into a significant foundation."

*David McCall, general manager, Wampum*



10th Anniversary Gala at Parliament



Charity bike ride for flood victims



Secretary of State Madeleine Albright

1999

2000



Vote-counting committee



The 15th Anniversary Gala at Parliament



Lunch with Fidesz leader Viktor Orbán

2004

2005

**13** Hungarian Prime Ministers Péter Boross, Gyula Horn, Viktor Orbán, Péter Medgyessy, Ferenc Gyurcsány and Gordon Bajnai have attended AmCham events

**14** AmCham works closely with the European Council of American Chambers of Commerce (ECACC), which represents over 14,000 companies and over \$300 billion in investment

**15** AmCham has moved to four different offices in three buildings

**16** The Regional Energy Forums – initiated by GE – are co-organized by eight American Chambers of Commerce, representing over 170 million citizens and more than 2,900 companies

**17** AmCham members have donated more than Ft 200 million for charity to assist the operation of civil organizations throughout Hungary

“First of all, AmCham is a business voice to reckon with during both the legislative and the implementation process of governing. Second, AmCham is for the ever-growing competitiveness of Hungary. Third, AmCham is an organization firmly standing for transparency and is against any kind of corruption. It adapts these strict rules in its own practice and expects government to do likewise. Fourth, AmCham is for charity, for the support of the needy. And last but not least, AmCham is for fun, for having a good time even during difficult periods.”

*Károly Fekete, managing partner, Consulting Group Buda*

“It is important that AmCham has proven over the past 20 years that it has stood firmly for transparent best-business practices and has invested time and effort to continually lobby each successive government to conform to these principles. The chamber’s efforts in putting forward expert suggestions on tax, education, health care, and other important issues of the day show clearly the business community’s desire to move the Hungarian economy forward.”

*Peter Freed, president, Duna Elektronika*

“Setting up an investors’ council with the top leaders of the Hungarian government, representing the interests of companies vis-à-vis the government, and running educational meetings for Hungarian members especially with respect to marketing and building multinational networks.”

*Charles A. Huebner,  
partner, iEurope Capital*

“The American Chamber of Commerce is the premier business chamber operating today in Hungary. It has achieved a position whereby its opinions are sought after by the government, the opposition and the media. I feel very strongly that in the coming years AmCham will need to continue to take strong and vocal positions on our core beliefs: competitiveness, transparency, and business ethics, the free market, and the reduction of the role of the state.”

*David Young,  
managing partner, Amrop Kohlmann & Young*



US President George W. Bush



Prime Minister Ferenc Gyurcsány



First Regional Energy Forum at Parliament

**2006**

**2007**



US Ambassador April Foley



US Election Night Party 2008



EU Tax Commissioner László Kóvacs

**2008**

**2009**

**18** AmCham has hosted leading business figures, such as George Soros, Jeff Immelt, and Bill Gates

**19** AmCham launched the AmCham-TV2 Business Lounge Video series, which puts business leaders one-on-one with political and economic decision makers

**20** AmCham has had 74 board members and 12 presidents



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BUDAPEST

# An uphill battle

THE FUTURE  
BUSINESS  
LANDSCAPE

Hungary went from a leading position in the region in the '90s to a disappointing performance during the present decade. In the future, Hungary will have to rely relatively more on internally generated sources of productivity and competitiveness. A key to the country's future business landscape is whether elected officials will have the political will – and the country the social cohesion – to fix or improve, at sufficient speed, those areas where it lags behind its competitors.

BY PAUL MARER

**E**CONOMIC HISTORIANS are likely to evaluate the 1990s as a decade of impressive achievements in Hungary's transformation to a market economy. Hungary had the lead position in the region. Among the reasons was the decision to privatize state-owned enterprises largely by selling them (instead of voucher privatization or management buyout); another was that Hungary welcomed and supported foreign direct investment (FDI). A large number of foreign firms came to Hungary. AmCham was established and quickly became the most influential organization representing foreign investors in the country.

Hungary's comparative economic performance during the current decade has been somewhat disappointing. AmCham members know well the facts and the reasons behind them. To be sure, regional growth comparisons are often biased against Hungary, whose population has been stagnating – versus the rapid population growth in neighbors like Poland. Therefore, per capita growth comparisons put Hungary in a better light, not far from the region's average.

## EXTERNAL ENVIRONMENT

A COUNTRY'S ECONOMIC performance – past and future – depends in part on the external environment and in part on the effectiveness of its domestic policies and institutions (including government bodies, companies, and NGOs). During this decade, prior to the global crisis, the external environment for Hungary and the rest of Eastern Europe was favorable.

The region's impressive growth rates through 2007 rested on three pillars, which I call the Eastern European growth model:

1. Extraordinary rapid trade and financial integration into the global economy, especially the EU, as shown by the fast increases in these countries' foreign trade and foreign financial participation ratios in GDP.
2. Large capital inflows, including FDI, making rapid growth of productivity and improved living standards possible. Continuous capital inflows helped to finance large current-account deficits and thus excess consumption.
3. Appreciating real exchange rates, contributing to improved living standards and to keeping inflation in check.

Let us note that all three pillars rest on sources of growth that are partly or largely externally generated or supported. I am in agreement with those who forecast that Western Europe's recovery and growth during the next five years will be sluggish. If correct, this does not bode well for Hungary and Eastern Europe, because it means that the region's past rapid trade and financial integration into the EU (pillar one) is also likely to slow. Net capital inflows, including FDI (pillar two), are likely to be smaller also, in part owing to the growing relative attractiveness of China and

Asia's other developing countries. And the sustained large appreciation of real exchange rates (pillar three) is unlikely to continue, especially not vis-à-vis the strong euro.



Improve the effectiveness of government at all levels.



## INTERNAL SOURCES

IF THESE ASSUMPTIONS are correct, it means that in the future, Hungary (as the rest of Eastern Europe) will have to rely relatively more on internally generated sources of productivity and competitiveness, that is, factors largely within the control of the nation's authorities, industries, firms, and workforce. These include improvements in the physical and social infrastructure, in the health and education of the workforce, in the efficiency of the markets for goods, services, and labor, as well as better technological readiness and innovation.

At the top of Hungary's agenda on internally generated improvements in productivity should be to streamline and improve the effectiveness of government at all levels. Let me highlight a few facts from the two best-known international comparisons of national competitiveness – the Global Competitiveness Report (GCR) of the World Economic Forum and the Ease of Doing Business (EDB) index of the World Bank.

In the GCR, Hungary's global competitiveness, expressed in a single composite number, ranks this nation 58th among the 133 countries surveyed. The most problematic factors of doing business in Hungary are the tax regulation and rates and the inefficiency of government bureaucracy. On the "burden of government regulation" indicator, Hungary ranks 130th among the 133 countries surveyed; 127th on the "wastefulness of government spending"; 114th on the "favoritism in decisions of government officials"; 113th on the "transparency of government policy making"; and 111th on "public trust in politicians". Since there are some questions about methodology, these rankings should not be taken as absolutely accurate. But, it is unquestionable that the neighborhood Hungary finds itself in, with respect to the efficiency of its government, is not a desirable one. The EDB ranks Hungary 47th among the 183 countries surveyed. The major problems identified are taxes – where Hungary ranks 122nd – and, surprisingly, the "protection of investors" where Hungary ranks 119th. It would not be fair to deliver only the bad news. Hungary ranks quite well on public health, its educated workforce, and the relatively low incidence of crime.

## WHAT WILL SHAPE THE FUTURE?

THE KEY FACTORS that will determine Hungary's future business landscape – which is the microeconomic foundation of productivity growth, competitiveness, and thus, the standard of living – is whether the country will have the political will and social cohesion to fix or improve, at sufficient speed, those areas where it lags behind its competitors, while at least maintaining its comparative advantages in other areas. Generating the political will and a social consensus will be an uphill battle for years to come. I am confident



that AmCham will remain in the forefront of these critically important efforts, given its declared mission to work to improve Hungary's global competitiveness. Let me conclude by suggesting – exhorting, if I may – each and every member of this influential body to redouble his or her active support for such AmCham initiatives as the transparency of decision making and anti-corruption efforts. Progress in these areas will make the local business landscape more inviting for each and every foreign company and improve Hungary's global competitiveness.

*This is a slightly abridged version of the speech given at the celebration of AmCham's 20th anniversary by Paul Marer, professor at the CEU Business School. Marer emigrated from Hungary to the US in 1956, where he became a professor of business at Indiana University Bloomington. He wrote books and articles about Hungary's economic and political reforms and spent sabbaticals at the IMF and the World Bank. In 1989, he was a co-founder of the "blue ribbon commission" (BRC), which set out to chart the unexplored route of transforming Hungary from a centrally directed economy, which had proven to be a dead end, to a market economy – the only possible destination after systemic collapse. In 2000, Marer returned to Hungary to teach and help administer the CEU Business School. ★*

# Chilly messages

## INVESTORS SENT OUT INTO THE COLD

On November 18, the embassies of nine countries representing the bulk of foreign investors in Hungary (the US, Belgium, France, Germany, Great Britain, Japan, the Netherlands, Norway, and Switzerland) issued a rare joint statement expressing concern over “non-transparent behavior” in Hungarian public life. This statement was clearly inspired, among others, by two recent affairs in which foreign investors were deprived of their Hungarian businesses in what diplomats describe as very unusual and improper ways, while the courts will have to decide whether or not it was downright illegal.

BY HENK HIRS

**O**N NOVEMBER 19, highly popular commercial radio stations Sláger and Danubius had to stop broadcasting after their frequencies were reassigned to other radio stations some weeks before in what is seen by many as a flawed deal. “It’s a chilly message for investors,” says Barbara Brill, vice chairwoman of Sláger Rádió and senior vice president for operations at Emmis International. “It is very sad, for the listeners as well as for businesses, to see how these two nationwide radio stations are in fact being renationalized.” Also in prior weeks, the city of Pécs unilaterally broke a long-standing contract with French-owned Suez Environnement and took control over the city waterworks in a way that diplomats call “shocking”.

### AIRWAVES

SLÁGER AND DANUBIUS (the latter owned by Vienna-based investment fund Accession Mezzanine Capital in which also the EBRD has a share) obtained their nationwide frequencies

in 1997 and built the two most successful commercial music stations, together reaching millions of listeners every day. The recent procedure for a seven-year renewal of permits was highly irregular from the start, explains Edina Heal, managing director of Sláger. The tenders should have been concluded in 2008 to give ample time to organize advertisement and programming for the new period, but due to all kinds of political maneuvering, it was only concluded in the very last minute on October 19, she says. The annual broadcasting fee that Hungary is demanding is absurd anyway, as the European average is 1–3% of revenue, while Hungary in fact demands some 18%. But the current winners of the tender offered a totally unrealistic 50–55%, which just doesn’t make any business sense, Heal claims.

Also, according to Heal, their bids were full of formal mistakes which should have excluded them from the tender anyway. And Brill reveals that one of the competitors in the tender approached her with the offer to step back from the process in exchange for 50% of the ownership in Sláger Rádió. “I immediately rejected the idea, as this is not how Emmis does business,” says Brill.

It is at least remarkable that MSZP and Fidesz representatives in the National Radio and Television Commission (ORTT), whose members are delegated by parties, voted unanimously and without serious debate to award the frequencies to NeoFM and Klassz Rádió, considered by many to be left- and right-wing leaning, respectively. The fact that the exact content of the winners’ bid was not published either after the decision was made also indicates lack of transparency.

Danubius and Sláger were highly popular.







## Diplomats went public with their concerns.

According to an insider, the MSZP's reasoning in agreeing on a deal probably was that this way, the party would at least have one friendly radio station in the run up to and the aftermath of the elections in April 2010, after which the ORTT will probably be dominated by Fidesz and Jobbik.

Ironically, radio stations with biased political content are not likely to attract much audience and advertising, so political parties will probably end up with empty shells, Heal says: "Most of our listeners don't want any politics whatsoever, just music and entertainment." As a result, the revenue of the new stations might well be zero, and the budget will in fact miss out on Ft 670 million in yearly broadcasting fees, she says. "I'm also sure that commercial television broadcasters RTL and TV2, whose licenses are up for renewal in 2012, follow this case closely," says Heal.

The day after the decision, László Majtényi, the independent chairman of ORTT, handed in his resignation, saying to MTI that "I don't think the case is closed; I think this is just the start of a scandal." The US Embassy in Budapest voiced its disappointment on many occasions. "These were radio stations owned by responsible foreign investors. Many share the frustration about this case. You can almost feel the price of risk in this country rising," said Jeffrey Levine, chargé d'affaires of the US Embassy at the AmCham 20th anniversary celebration on November 6.

Fans from Danubius and Sláger have also been pouring out their fury and disgust about the decision on websites, with petitions signed by hundreds of thousands of listeners, by people honking their car horns at a certain time during rush hour, and by attending a sympathy concert with Sláger in Budapest, all to no avail. Both radio stations have gone to court, but a final ruling might take months, if not years, and Emmis meanwhile decided to retreat from the Hungarian market.

### WATER TROUBLE

ACCORDING TO many observers, the de facto renationalization of the Pécs Water Works by the local government a few weeks before looks just as shaky. The waterworks was partly privatized in 1995, with Pécs holding on to 50.05%, French-owned Suez Environnement Hungaria getting 48.05%, and 1.9% held with other local councils. Management was put in the hands of Suez for a

fee of Ft 120 million. There were no major complaints about the service offered by the jointly owned company, which employed 360 people, and supplied water to 40 additional villages and towns nearby. Suez had put more than Ft 6 billion into improvements and modernization since 1995. True, the local council voiced its displeasure with the high price of water several times.

A few years back, when Pécs was still ruled by the MSZP, the council negotiated with Suez for some time to buy back its stake in the utility. Estimates of what such a buyback should cost differ widely. The company has annual revenues of Ft 4.5 billion and is generating profits of Ft 250–300 million a year. But the talks amounted to nothing, and the idea was dropped, until Fidesz candidate Zsolt Páva was reelected as mayor earlier this year. Suddenly, even before negotiations started, Pécs unilaterally broke Suez's contract in September (with the tacit agreement of the MSZP representatives in the local council), and on an early Monday morning, occupied headquarters, barred management from entering, and announced it had set up a new company to take over operations.

When Prime Minister Gordon Bajnai, on a visit to France in mid-October, offered to mediate in the dispute, he was accused by Fidesz MP Erik Bánki of taking sides with foreign investors and failing to represent Hungarian interests. Bánki also stated that the prime minister's approach was all the more incomprehensible as the suspicion of serious crimes – including fraud, embezzlement, money laundering, forgery, and misappropriation of funds – has arisen in the affair. How well founded these harsh accusations are is unclear. They are vehemently denied by Suez, and on November 6 the Budapest Municipal Court also judged that the takeover was illegal. Meanwhile, there are reports that Suez and Pécs might be talking again.

"In principle, we can understand that a council wants to buy back shares in such a public utility. That could also happen in France," says press officer Anna Maros from the French embassy in Budapest. "But the method should be one of consultation and transparent legal procedure. The same is true if fraud and embezzlement are suspected." According to Maros, the case has far wider implications. "This is not a local issue, and this is not a French issue. This concerns all foreign investors. Let's hope it is only a one-off and doesn't spread." ★

# Survey says

## NEGATIVE SOCIAL TENDENCIES IMPACT ON COMPETITIVENESS

Hungarian social attitudes feature high levels of distrust and reluctance to change, and are more closely related to orthodox, Eastern European countries than its Western neighbors, a recently released survey from local think tank Táarki revealed. Prompted by a declining GDP rate and recent economic setbacks, local leaders initiated the survey to investigate how deeply rooted values could be affecting economic performance.

BY MARISA BEAHM

**D**RIVEN BY A DESIRE TO SEE the Hungarian economic climate improve, this survey's aim was to form a realistic picture of what the causes of recent failures could be, says Péter Felcsuti, the managing director of Raiffeisen Bank, who sponsored the study.

When analyzing a society's economic performance, "it's not just about hard-core macroeconomic variables, but also, social attitudes shape the competitiveness," says István György Tóth, Táarki chief executive officer. To generate data for the study titled "Social and Cultural Preconditions of Economic Growth", Táarki's research team conducted two different polls last March. One used the same questions as the World Values Survey, and one was tailored specifically to Hungary. Both polls conducted personal interviews with a cross section of about 1,000 people, representing the 18-and-older Hungarian population, Tóth says.

### MIRROR

WHILE THE RESULTS of the study are not likely to catalyze rapid cultural changes, Felcsuti says the results can inspire dialogue, and he encourages people, especially Hungarians, to read the results. "If you happen to be Hungarian, in a way, it is shocking and revealing, and it's a good thing sometimes to look in the mirror."

Amid the survey's "shocking" results were also some positive outcomes. For example, the study showed that Hungary is a secular society, which both Felcsuti and Tóth say reflects positively on the local economy. "In the traditionalist versus secular values [category], the Hungarian value system is a bit more secular than it would be predicted on the basis of the level of its economic development," Tóth says. "The role of religion, traditions, family, and authority is less marked in the value system than it is in most Western-European societies." Also, results illustrated that Hungarians are generally enterprising, Felcsuti adds. "However, on the other hand, probably the most important finding is the fact that there is a deep-running mistrust in the society as a whole."

Moreover, in the category of materialist or survival attitudes versus those of self-expression, the Hungarians show a great deal of narrowness in their thinking, expressed by lower commitment to tolerance, political freedom, trust, and participation, Tóth adds.

### SOCIETAL DISTRUST

REGARDLESS OF what strata of society one addresses, there is a lack of trust and low rates of cooperation there, says Felcsuti. "People don't trust each other, and they don't trust institutions."

While Tóth says the amount of general trust between Hungarian individuals is about average compared with other European countries, there is a discrepancy





that most people consider themselves to be honest, but “we are not particularly convinced that others are keeping rules, which creates frustration.”

According to the survey, only one EU country, the Czech Republic, has lower levels of institutional confidence than Hungary. Interviewees were asked to rate their trust in certain Hungarian institutions on a ten-point scale, with ten meaning they completely trust the entity in question. The only institution that scored more than five points, meaning more people trusted it than didn't, was the Academy of Sciences. The least-trusted institutions were government (2.3) and politicians (2.4), while trade unions, the press, opposition parties and Parliament also scored below a four (see graph).

The causes of this distrust are deeply rooted, continues Tóth, and could stem from a lingering culture of “doublespeak” which arose during Hungary's occupations – most recently by the Soviet rule in the second half of the last century – which created cultural suspicion towards authority. Also, over the past 20 years, the errors of the political elite have done little to build a new trustful structure, he adds.

These misgivings have negative ramifications in the business community, Tóth says. “If there is distrust in institutions, then everyone starts playing shortsighted, short-term strategies. They start building their own ways of conflict management instead of relying on institutions, which is much more costly.” In the political sphere, the causal links might go both ways: while political institutions are the least trusted (mostly for associated corrupt practices), the political actors also start playing short-term strategies that creates more expensive operations for the whole economy, Tóth adds.

that business competition is a constant fight against each other,” he says. “It's discouraging to a great extent, because it comes as some sort of legitimate deficit for the market economy.”

According to the Tárki survey, there is also a higher-than-average level of acceptance of graft in Hungary, says Felcsuti. “Clearly, there is this belief that hard work alone is not sufficient for success,” Felcsuti adds. “You need better contacts, a family, and sometimes, you need corruption. Clearly, this seems to be a view that is quite widely held.”

In contradiction to these widely held beliefs, the study revealed that getting ahead in Hungary relates more to learning much more than elsewhere, and returns to higher education in Hungary are among the highest among the countries in the Organization for Economic Cooperation and Development (OECD), Tóth adds.

## NEXT STEP

WHILE BOTH Felcsuti and Tóth are motivated to see Hungary's economic situation improve, they are both realistic enough to know that social change is a torpid process. “One cannot be overly ambitious when the value system is concerned,” Tóth adds. However, they hope the results of the survey create awareness, are a launching point for discussion, and could spark further study, especially at the university level. Felcsuti plans to organize media events in the future to raise more awareness about the negative social tendencies.

“We have mentality issues, and it takes decades to have changes you are able to perceive or notice,” he says. “But if you don't start somewhere, nothing will happen.” ★

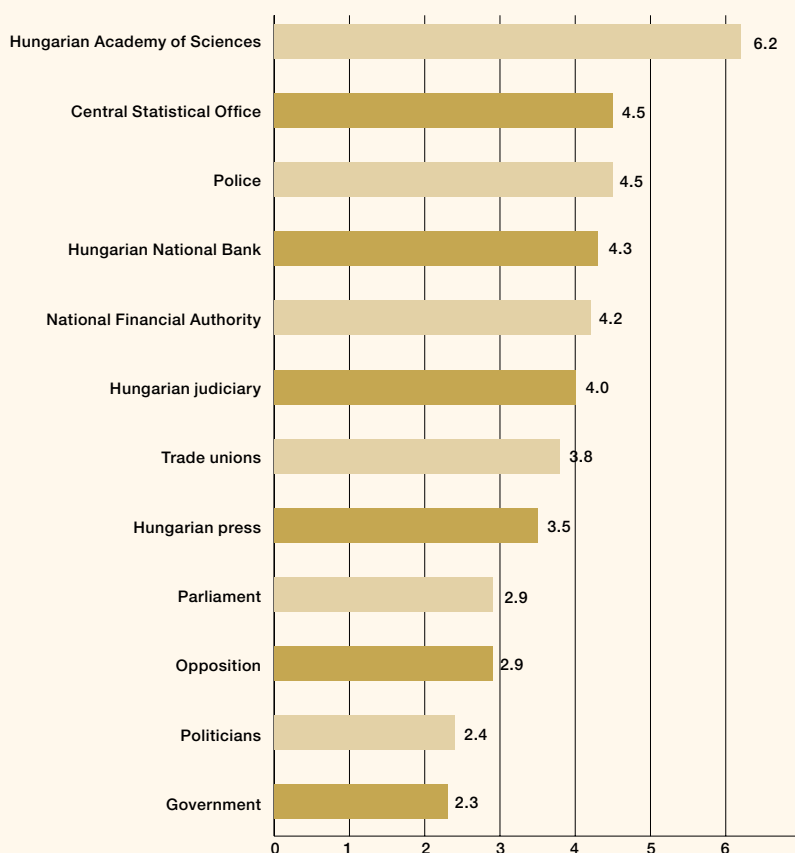
## ECONOMIC COMPETITION

UNDER THE LENS of economic vitality, another disconcerting result of the survey was the view toward economic competition, which is viewed by many as a “zero-sum game,” Felcsuti recounts. Many respondents said that you can only get rich at the expense of the next person, rather than through cooperation, he adds. “People really believe that the economic differences are too big [between individuals], and the expectation that the state should come to your help is higher than other countries.”

Within the study, participants were asked to agree or to disagree with statements regarding getting ahead in society. The results showed that 80% of interviewees agreed or partially agreed that it is impossible to get rich in this country in an honest way; 75% agreed or partially agreed that if you want to get ahead, you'll be forced to break some rules. Also, 50% of respondents agreed or partially agreed that if you work hard, you're sure to get what you want, and only about 18% agreed or partially agreed that there is equal opportunity for everyone in Hungary.

Tóth also finds this data troublesome. “There are Hungarians who tend to believe

## INSTITUTIONAL CONFIDENCE



# Available options

## CREATING A ROMA TOURIST CENTER

Life is slowly being turned around in tiny Bódvalenke, a village of 200 inhabitants, of which some 170 are Roma, almost all of them unemployed. Thanks to the joint efforts of an inspired Hungarian volunteer, Hungarian artists of Roma origin, and the local population, a steady trickle of tourists are starting to arrive to see nine huge and brightly painted frescoes that adorn the old village houses. Initiator Eszter Pásztor intends to change this hamlet – which is close to the Nature Reserve of Aggtelek, known for its famous caves – into a center of European Roma culture.

BY RUNA HELLINGA

**W**HEN PÁSZTOR, a professional translator from Budapest, came to Bódvalenke for the first time, she knew virtually nothing about the living circumstances of many Roma. All she knew was that the images of Hungarian Guards marching in Roma villages disgusted her, and that she wanted to know more. She was outright shocked to see the squalor in the village. “There was nothing; no running water, no gas, no jobs. The children ran around underdressed, in dirty and torn clothes. There was garbage everywhere. It was third world. And this was the same country in which I was living my comfortable middle-class life,” she says.

### FRESCOES

FOR MONTHS, she wasn’t able to get these images out of her head. Then, a year ago, she remembered a holiday trip to Egypt, where she had sat in a bus for two hours to visit a small desert village famous for its painted houses. Why would something like that not be possible in Hungary, she wondered? Bódvalenke is 2.5 hours

from Budapest by car and a mere 30km from the Aggtelek caves, the main tourist attraction in the region. Besides, the long blank walls of Bódvalenke’s traditional long houses would make a perfect canvas for colorful frescoes. When a Roma acquaintance of hers happened to be pondering about exactly the same kind of idea, she decided to push ahead.

Initially, the inhabitants in Bódvalenke were not very enthusiastic, Pásztor remembers. Their first response was a firm “no daubing on our walls,” she says. Also, there were many competing factions amongst the Roma, everybody accusing each other of being unreliable, and the non-Roma residents – resentful of the huge influx of Gypsies over the past 20 years – were not thrilled at all with any program that would benefit these newcomers. “We had some serious community-building to do,” she says.

The first positive turn came when a local coachman realized that, through this project, he could maybe make a living by offering tourists a picturesque ride via horse-drawn coach to and from the train station in the neighboring village. So, he started urging other people in the village to join the project. Also, with the help of a

Roma artist involved in the project, they managed to convince people to clean up the omnipresent rubble in the village, thus overcoming the initial “it’s not my rubble” response Pásztor encountered.

Just before last summer, the first frescoes were painted, all of them in a realistic style and with subjects taken from



**Bódvalenke hopes to become famous for its painted houses.**



traditional Gypsy life and Roma folklore and legend, so as not to shock and estrange the villagers. "This painting with horses is the favorite of most villagers," Pásztor says, pointing at a fresco depicting scenes of the peaceful country life. But once people trusted that "daubing" was not the right word for the art on their walls, the artists became bolder. A later fresco, for example, shows a dark Jesus-like figure surrounded by abstract faces representing the villagers, including the local usurer and a woman who works as a street prostitute to feed her four children. Another fresco is painted in remembrance of the spate of mysterious murders of Gypsies in villages close to the highway that took place in 2008–2009. And today, Pásztor says, villagers are standing in line to have their house painted too, while the first non-Roma inhabitant has now asked for a fresco, too. Pásztor wants to invite Gypsy painters from Spain and Italy to come and do some frescoes next summer.



## LOCAL SKILLS

**BUT SHE DOESN'T** stop at that. She started a public Internet room in the village. She arranged for some families living in the most unhealthy houses at the edge of village to move to more suitable premises. And she set up a cooperation with the Aggtelek National Park management to build and exploit a nature trail leading through the marshes surrounding Bódvalenke that are apparently of very special ecological value. Local people, who know the paths and trails through these dangerous parts like the backs of their hands, can be employed as tour guides.

Pásztor also made an inventory of all the skills and knowledge available in the village. "Some women used to work in a textile factory that has closed down. We are setting up a clothing line based on traditional Gypsy dress. We bought some industrial sewing machines, and I asked a professional fashion designer for the designs," she says. Also, there is a basket weaver and a wood-carver in the village, some

young people who took classes in jewelry making last summer, and villagers who know everything about mushrooms, which are plentiful around the village. "We can sell all these products in a new local shop. There are horse keepers, which opens possibilities for horse riding, and some women are fantastic cooks, so we want to offer tourists the possibility to eat at their homes," Pásztor sums up. She also invited an agriculture expert to do some research, and he says local circumstances are very suitable for cultivating a special kind of berry that is much in demand in the pharmaceutical industry.

There are also plans to renovate the local manor house of Bódvalenke and change it into a guesthouse, but that plan probably has to wait a bit longer as there just isn't any money. Until now, everything that was done depended mostly on volunteers and on the support of a few sponsors, whose names are honored on a colorful gate at the entrance to the village. "We can't get EU funds, as you have to prefinance everything you do, and we just lack the money," Pásztor says.

This limits Pásztor's possibilities, but certainly not her imagination. "Of course you cannot turn every village into a tourist attraction. But everywhere, one can do what we have done here: make an inventory of all available options. I'm convinced that, once you start looking, every village offers many more possibilities than one would think at first glance," Pásztor says. ★

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# A country of “partocracy”

Twenty years have passed since the transition, and this milestone provides a good perspective for an evaluation. Recently, more and more analyses have been coming to light about the “meaning” of the transition, and many authors consider it as a model crisis, in a sense. To a certain extent, we can agree with those people who are talking about the mismanagement and imperfectness of the transition.

BY TAMÁS KERN, SZÁZADVÉG INSTITUTE

**N**ATURALLY, BEING problem-oriented does not mean that we do not appreciate the achievements, namely, that the revolution was bloodless, that now we have a working constitutional system, that civil rights prevail, that we have a stable party system, and that Hungary is a member of NATO and the EU. At the same time, we cannot pass over the fact that the prestige of democratic institutions, and that of the parties, are continuously decreasing, and confidence in society has been constantly weakened throughout these two decades.

Obviously, the transitional process put an almost unparalleled task upon the elite: besides having to construct all the democratic institutions at a relatively quick pace, they also had to face many

other challenges of similar weight. First, the state-planned economy had to be transformed to a traditional Western-market economy model. Second, members of the Hungarian society had to be integrated into a plural democratic political system. Third, the elite faced the tremendous task of creating a new, independent nation, and creating a new national identity as a foundation of the nation. These necessary undertakings were not fulfilled completely, and its consequences are still impeding the functioning of the Third Republic of Hungary.

## PARTY FORMATION

**IN OUR VIEW**, the root of the problem is the process of party formation, which has happened in a different way than in Western European countries with century-old traditions. Due to the radical quickness of the transition, we witnessed a kind of ‘elite’ party formation in Hungary. As a result, the structure of our party system does not reflect the real Hungarian social structure, but instead, reflects the deep antagonism between different groups of opposing intellectuals. The nature of these intellectual debates is highly ideological and cultural. Still, the same ruptures (communist versus anti-communist; national-popular versus cosmopolitan-urbane) divide party elites and their backing intellectual circles. This confrontation, largely based on emotional and personal conflicts, unfortunately means that the different ideological factions view their differing group as enemies, not just opponents. Considering these causes, a reserved and sometimes even

hostile attitude towards party politics is anything but surprising. Moreover, this is a statutory social consequence. This negative consequence has been deepened continuously since the 2002 change of government. Thereafter, the patronage (i.e. awarding positions) has become widespread in the economy and society, not only in politics or administration. In the meantime, unfortunately, it has become commonplace that in the political sphere, particularly in party politics, myriad corrupt transactions are occurring. To state it clearly: Hungary faces political corruption in organized frames. This means that the political system itself allows political corruption (e.g. undue regulation of party financing). Moreover, the political system actually enforces corruption. Thus, corruption becomes an inevitable part of social relations, and particularly of the public life.

★







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# Getting ready for battle

Since September, the Hungarian political agenda has been dominated by the draft budget and debates on this issue. This is not only because of the economic crisis, but also because parliamentary elections are coming up in six months.

BY KORNÉLIA MAGYAR, PROGRESSIVE INSTITUTE

**T**here is an interesting paradox which has never been explicitly mentioned in the government's official statements, but which permeates the discourse on next year's budget. Due to the financial constraints of the current situation – caused not only by the letter of intent imposed by the IMF, but also by the Hungarian financial system's extreme dependence on investor confidence – the government and the MSZP do not have the means to use overspending as election bait. Thus, the key element of their strategy will be to communicate a technocratic image of “responsible, sensible crisis management”.

Therefore, the upcoming budget will indeed be an “election-time budget,” as opposition party Fidesz says, but not in the traditional sense of being excessively freehanded. Rather, it will focus on fiscal discipline, sense of responsibility, and austerity, because these values are not just the key elements, but the very basis of the government's image. Such a strategy is much less attractive than the usual strategy

of outbidding each other. But, it appeals to two groups of potential MSZP voters. One group comprises the rather market-oriented voters with a limited party loyalty who were attracted to the Hungarian socialists by Gyurcsány's reform rhetoric. The other group consists of the more loyal core voters who had no motivation to vote after repeated MSZP fiascoes and whose absence from the European elections and some by-elections contributed to their party's defeats.

## CHANGING FIDESZ STRATEGY

While the MSZP is gradually drawing up its lines for battle, we have seen substantial changes in Fidesz's strategy during the fall term in Parliament. During the last two parliamentary periods, the government has rightfully criticized the largest opposition party for their knee-jerk, destructive rejection of all government proposals without having any real concepts of their own. However, the party leader and other prominent party representatives are now airing more and more details of their plans, should they come to power.

It was high time they did so, since their political opponents had been shifting their attacks from allegations of lacking concepts to allegations of planning a “revolution by means of public law.” Based on anti-democratic features of the Orbán-led government in 1998–2002 and on imprudent statements by Fidesz representatives, there have been speculations for months on Fidesz's plans for governing with a two-third's majority, which the party might obtain. There have been allegations of Fidesz planning to change the law on franchise and citizenship, expanding the power of the head of state, introducing a presidential or semi-presidential system, limiting the competences of Parliament, and imposing right-wing control over the media. Thus, Fidesz's strategy is to keep the Bajnai government under constant fire morally and politically and, while not wasting too much time on “boring details,” to try to present itself to undecided voters as a modern, down-to-earth political force ready to meet the current challenges.

The majority of Hungarian and international analysts consider Orbán's rhetoric to be populist and even demagogic, and agree that Fidesz will have to stick to the current government's financial and economic policies if it wins the elections. But, the latest comments by Fidesz indicate a very different route. Orbán himself was the first to insinuate that the government has published false data in its draft budget for next year. But from the context, it is clear that a much higher budget deficit would not be the result of the government's incorrect data, but rather of Fidesz's radically different economic policies.

★







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# THE SECRET OF SUCCESS

Interview with ITD Hungary's CEO György Rétfalvi

**A** recent study by the World Bank ranked the website of the Hungarian Investment and Trade Development agency 12th out of 213 investment promotion agencies, while ITD Hungary was rated the 14th-best agency overall.

György Rétfalvi, Chief Executive of the organization, was also recently re-elected president of the World Association of Investment Promotion Agencies. In an interview with Nicholas Nikol, Rétfalvi says he believes the secret of ITD Hungary's success is

largely due to a growing awareness of the country's strengths. In addition to keeping old investors, Hungary has proved itself capable of attracting increasing numbers of new investors with its wealth of untapped economic potential.

**– N.N.: Hungary is a small country, yet its investment promotion agency ranks up with the largest. Were you surprised by the success of ITD Hungary, or do you see this as a natural reward for your hard work?**

Gy.R.: I knew we were working hard and that our results were good, but this ranking came as a surprise even to us. But there's no denying the team at ITD Hungary has delivered excellent work. In 2009 alone, investments worth more than Ft 70 billion have been made in Hungary, creating some 6,000 new jobs. ITD Hungary is currently in negotiations with more than 100 potential investors with projects that could bring in up to Ft 1.5 trillion and generate 16,000 new jobs. Of these investors,



GYÖRGY RÉTFALVI



32 have already committed to realizing projects in Hungary, guaranteeing Ft 500 billion of capital inflow and more than 8,000 jobs. Despite the global recession, it certainly cannot be said that Hungary has come to a standstill; we are actively following every avenue for development.

**– N.N.: How would you describe Hungary's economic relationship with the US?**

– Gy.R.: From both an export and a direct investment standpoint, the United States is one of Hungary's key partners. The volume of bilateral trade in goods and services was second only to China in 2008, and exports to the US exceeded those to any other country outside the EU. In recent years, both exports and imports have grown steadily. Of the countries in Central Europe, Hungary has the largest export in terms of both value and share of total exports to America, a position it has maintained consistently for several years now. Due to the recession in the American economy, this pattern was broken in August 2008 when the lowest monthly figures were recorded in nine years. Despite this, annual data remained remarkably strong, and trade volume grew by between 7% and 8% on a month-on-month basis in the final quarter of the year.

**– N.N.: What does Hungary export to the US?**

– Gy.R.: Our key exports include components for data processing systems, a variety of chemical compounds, and transport vehicles and parts. Some 90% of exports are derived from multinational companies operating in Hungary. Car components account for the majority of our imports alongside integrated circuits, pharmaceuticals, gas turbine parts, computer components, glass, medical devices, agricultural equipment, and devices to measure pressure.

**– N.N.: As far as I am aware, more American multinational companies have settled in Hungary than anywhere else in the region. What is the reason for this?**

– Gy.R.: You are quite correct; Hungary has the largest number of American investors of all countries

in Central and Eastern Europe. If we include reinvestments, the total value of American FDI is as much as \$9 billion. There are currently around 600 American companies registered in Hungary, and when you add small agencies representing US firms or products, this figure may reach 1,000. This large presence is grounded in the fact that investors have a growing confidence in Hungary. Those that are already here and know the country are happy to engage in further development, while Hungary also offers exciting opportunities to new, long-term investors. In addition to its good geographical location and favorable tax regime, Hungary's key asset is its skilled and relatively inexpensive workforce.

**– N.N.: How do you see Hungary's future? Can this trend continue, and is it possible to attract still more investors?**

– Gy.R.: I believe so. Hungary has committed itself to quality and development. This is evident to our foreign partners and supported by economic indicators and international surveys. We have good reason to be optimistic. ITD Hungary will do everything in its power to meet international expectations and ensure Hungarian companies find success abroad. We organize business meetings for various sectors on a weekly basis and help companies exhibit at international trade shows. These are the kinds of initiatives that pay for themselves several times over in the medium term. Last year, we invested Ft 620 million in promotions of this nature and saw growth in exports of around Ft 32 billion as a direct result.

**– N.N.: How do you see the coming year developing for the Hungarian economy and, more specifically, for ITD?**

– Gy.R.: Although our resources will be limited in the coming year, our plans are no less ambitious. Several challenges await, not just in view of the upcoming election and its impact on international opinion, but also with regards to the consolidated structure of the company following the economic crisis and our efforts to stay ahead of changing investor culture and rapidly evolving export markets. I enjoy challenges, and therefore, look to the future with confidence.

*(Advertorial)*

## Budget deficit and reforms

While the Bajnai government succeeded in getting its 2010 budget proposal accepted by Parliament, opposition party Fidesz sent out mixed signals about its plans regarding the budget deficit and its possible economic program if elected next spring.

**I**N AN INTERVIEW IN WEEKLY newspaper *Figyelő*, Prime Minister Gordon Bajnai said that Hungary's deficit target for this year and 2010 can be maintained, unless the economy takes another negative turn. He also stated that the next government must continue implementing reforms to successfully transform the country's tax system, health care, and state railway MÁV.

The 2010 budget proposal drew heavy criticism from main opposition party Fidesz. For example, the party's economic expert György Matolcsy said at a business forum in November that he projected next year's general government deficit to come in at 7.3–7.5% of GDP, differing from the government's target of 3.8%. Mihály Varga, Fidesz's deputy chairman and financial expert, said that the 2010 budget bill contained "deficit factors" in connection with national railways MÁV, Budapest transport company BKV, and hospitals, among others.

But visiting delegations of the IMF and the European Commission (EC) disagreed and said they could not support any economic policy that would propel the country's budget deficit to around 7% of GDP. "We met with Fidesz leaders who said the deficit could rise to 7%, but as we see it, the 3.8% general government deficit is achievable in 2010," IMF delegation leader



James Morsink said at a press conference on November 16. Nevertheless, he conceded that the deficit could rise slightly over 3.8%, as is also projected by the OECD, the EU, and the MNB. The EC delegation visiting Hungary said in a statement that the "fiscal consolidation has to be continued in order to further strengthen the sustainability of Hungary's public finances, put public debt on a declining path, and create the necessary room for more growth-oriented policies."

Obviously, these comments also have an impact on Fidesz, which is widely expected to take over government after elections in spring 2010. The party has repeatedly said it wants to renegotiate a higher budget deficit (6% or more) with the IMF and the EU, and it has promised to lower taxes, create new jobs, and scale back several budget cuts that were introduced by the Bajnai government. For example, in an interview on ATV television in October, Fidesz leader Viktor Orbán repeated his promise for big tax cuts, saying he would not pin a precise figure to the tax cut in 2010 right now, but it would be substantial. He also promised, as many times before, to create 1 million jobs over ten years.

In a reaction to the IMF delegation statement, Varga, Fidesz's deputy chairman and financial expert, said on November 18 that his party will not pursue a policy that would deliberately raise the budget deficit, but that opinion is not in line with statements from other high-profile Fidesz representatives. For example, Matolcsy repeated on InfoRádó on that same day that he doesn't trust the government's budget figures, and that Fidesz wants to renegotiate the budget deficit with the IMF.

Earlier, Matolcsy had also outlined some of the reforms Fidesz wants to implement. He said that the party plans reforms of the tax and contribution system, the higher education system, health care, the local government system, BKV, and MÁV, and that it wants to reduce the administrative burden and introduce a new package of anticorruption measures. Matolcsy also argued for lower interest rates and for state incentives for direct investments by Hungarian companies abroad. In his view, the health industry should provide the main engine of growth for Hungary. Construction, energy, agriculture, water and waste management, car manufacturing, and business services could also serve as economic drivers, he added, conceding that there was little fiscal room for maneuvering, but monetary tools and EU funding could be used to perk up the economy.

★



JAMES MORSINK



## BP SERVICE CENTER

**OIL COMPANY** BP is to move 260 jobs to Budapest after laying off hundreds of workers in Germany, MTI reported, quoting a German newspaper. It was announced in March that BP is setting up a service center employing around 1,000 people in Budapest. BP's Richard Hookway said the Budapest service center will be more than a simple call center; it will provide comprehensive business and financial services to customers. ★



## PARTY FINANCING INITIATIVE FAILS

**TRANSPARENCY INTERNATIONAL (TI)** and Freedom House will not recommence the failed cross-party talks on campaign funding which took place early October. The groups had drawn up a compromise proposal, based on earlier law proposals by both Fidesz and MSZP and aimed at breaking the deadlock on this issue (see *Business Hungary* July/August). But according to the two NGOs, Fidesz gave no substantive response to their compromise proposals and they had to abandon the initiative. Both organizations underlined that they will pay special attention to next year's election campaigns and will appeal to the general public if they identify abuses.

Corruption influences 66–75% of Hungarian public procurements and is estimated to push prices up some 25%, a recent study by economic research company GKI commissioned by the Public Procurement Council showed. There is general agreement that the opaque regulations governing party and campaign financing are the roots of corruption in the Hungarian economy too, said GKI chairman András Vertes. Last year, public procurements in Hungary were worth about Ft 1.6 billion. ★

## INSTITUTE OF NEW ECONOMIC THINKING

**HUNGARIAN-BORN** billionaire philanthropist George Soros will spend \$50 million over the next ten years to set up and operate a new economic think tank in Hungary. The Institute of New Economic Thinking (INET) will aim to renew economic theory, carrying out educational as well as research tasks and will be financed through the CEU. A first conference will be at King's College, Cambridge, next April, while later CEU could also be home to such workshops.

The creation of INET comes in response to the policy challenges presented by the economic crisis and the need to develop fresh approaches to economic theory. Soros is a longtime critic of classical economic theory. INET's founding Advisory Board members include many well-known economists and Nobel laureates such as George Akerlof, Joseph E Stiglitz, Willem Buiter, Jeffrey Sachs, John Shattuck, and Yu Yongding. The Institute will make research grants, convene symposia, and establish a journal. ★

## THIRD FILM STUDIO

**RALEIGH STUDIOS** is building a \$40 million film studio complex in Rákospalota (Budapest XV), set for completion in April, Hungary Around the Clock reported. "This is going to be the finest studio on the continent: it will be truly run like a Hollywood studio," company president Michael Moore said in an interview with the *Los Angeles Times*. Raleigh Studios Budapest will include a 45,000 square foot "superstage", a 15-acre site for outdoor sets and a training school for film workers. Raleigh operates nearly 40 studios in the US. ★

## PANNON UNIVERSITY

**PANNON UNIVERSITY** in Veszprém is to set up a knowledge center through an investment of Ft3 billion. The center, on the site of a former children's hospital, will carry out research and development in the areas of bioenergy, mechatronics, information technology, and waste utilization. ★

## BASE RATE AT 6.5%

**ON NOVEMBER 23**, the MNB's Monetary Council voted to lower the base rate to 6.5%, the lowest level since June 2006. MNB Governor András Simor said council members voted by a "decisive margin" to reduce the rate by 50BP. Because of the drawn-out recession, there is no inflationary pressure in the economy, and the CPI will significantly undershoot the mid-term inflation target, Simor said. The bank lowered its inflation projection for 2011 to 1.9%. "Interest rates may be reduced further, if this does not threaten the inflation outlook and if shifts in perceptions of risks associated with the economy allow it," according to a bank statement. Council members at the meeting agreed that risks to financial stability had declined, increasing the room for rate cuts, but some warned that financial markets were still fragile, and that there could be a second leg of the financial crisis in Europe. ★

# CEE IN REVIEW

## CROATS IN ITALY RETURNING HOME

SOME 40,000 CROATS working in Italy are being forced to return home because of the financial crisis. Most of them had lost their jobs and had no other choice than to return home to Croatia. The Italian unemployment rate has risen to 8.9%, and wages have dropped drastically. Only around 25,000 Croats are working legally in Italy. The rest work illegally, which makes their position even worse considering that they have no right to a pension. The average monthly salary for a Croat in Italy was around €1,000 before the financial crisis and has now dropped to €500–600. (*Croatian Times*) ★



## UNEMPLOYMENT IN SLOVAKIA

THE SLOVAK LABOR market is battling the problem of long-term joblessness, which, according to Slovak Academy of Sciences (SAV) economist Pavol Kárász, will not fall until at least 2012. “It’s a long-standing problem in Slovak economy. Slovakia is among the countries with the highest long-term unemployment in the EU,” he said. Turning to the overall unemployment rate, which stood at over 13% in October, Kárász said he can’t see this falling until 2011, and expects the local job market to continue to be adversely affected by the crisis. (*Slovakia Today*) ★

## BULGARIA

BULGARIA’S Cabinet will go ahead with plans to deposit a small portion of its fiscal reserve with local (foreign-owned) banks in an attempt to lift the economy out of recession, Finance Minister Simeon Dyankov said. “We could transfer up to 20% of the reserve from the central bank to commercial banks where it would earn a useful interest income,” Dyankov said. Dyankov expected that demand for loans “will soon be huge.” (*Sofia Echo*) ★

## GREECE, ROMANIA, AND BULGARIA MOST CORRUPT

TRANSPARENCY INTERNATIONAL (TI) ranked Greece as the EU’s most corrupt member, along with Bulgaria and Romania. The three nations share 71st place in the Berlin-based international watchdog’s annual Corruption Perceptions Index (CPI), covering 180 countries and territories. Each of the four received a score of 3.8 points on a scale of zero (highly corrupt) to ten (low levels of graft). Bulgaria, which was singled out as the most corrupt country within the EU last year, has improved its marks by 0.2 points over the past 12 months. By contrast, Greece has lost 0.9 points of its grade of 4.7 in 2008, when it was ranked 57th in the world. Experts blame “systemic weaknesses” that the country has failed to address. “Greece’s poor score shows that joining the EU does not automatically translate into a reduction in corruption,” TI said. This year, Romania again scored 3.8, but moved down one spot to 71st on the global table. Bosnia and Herzegovina (BiH) remained the most corrupt country in the region, ending at 99th place. “At a time when massive stimulus packages, fast-track disbursements of public funds, and attempts to secure peace are being implemented around the world, it is essential to identify where corruption blocks good governance and accountability, in order to break its corrosive cycle,” TI Chair Huguette Labelle said in Berlin. (*SETimes*) ★

## ESTONIA ON TRACK FOR EURO

ESTONIA HAS SET its sights on adopting the euro in 2011, following an IMF report released in October praising the country’s fiscal management. “A full-fledged crisis has been avoided due to existing buffers and a determined response by both the public and the private sector,” an IMF press release said. “As a result of present and past efforts, euro adoption in 2011 appears within reach,” it reported. Estonian politicians were quick to embrace the news, expressing confidence that they would be able to fulfill the Maastricht criteria – which govern countries aiming to join the euro zone – and adopt the currency within the next two years. The Estonian Central Bank has also confirmed that the country could be ready to adopt the euro in 2011. (*Baltic Times*) ★

## ELECTRIC CARS IN POLAND

IN COOPERATION WITH German energy giant RWE and Green Stream, a Polish company working to create an electric-car market in Poland, the city of Warsaw has recently opened the first charging point in the capital for electric cars. A total of 130 other charging points are expected to pop up in and around the Polish capital by the middle of 2010, and four other Polish cities will get a total of 200 charging points between them. “The experiment will run until mid-2011. Then we would like the charging stations to be commercialized,” says Jacek Janowski, president of Green Stream Poland. (*Warsaw Business Journal*) ★



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# Tales of a city

## "IMAGINE BUDAPEST" SHOWS HIDDEN SIDES AND SITES

"Imagine Budapest" organizes alternative city walks where people are taken to places they would never find on their own, shown sides of Budapest a random visitor would otherwise overlook, and taught about the major influences to modern Budapest. The tour company, established by art historian Katalin Káldi and her sister Emese, is the result of cooperation between an enthusiastic staff who put all their love for the city and their professional knowledge into the development of these city walks.

BY RUNA HELLINGA

**O**N THE KAMERMAYER KÁROLY square, close to Budapest's City Hall, stands a lonely elm. It is a rare survivor of the Dutch elm disease that finished off most elms in Hungary and large parts of Europe.

The giant tree shades the small square, offering some coolness and fresh air in a city center not known for its abundance of greenery and parks. In fact, it is that lack of abundance that saved the tree, as there was no other elm in the vicinity from which it could contract the disease.

As Imagine Budapest tour guests will learn, present-day inhabitants of inner Pest are not the first ones to complain about the lack of greenery in the city. It was Count István Széchenyi who first raised the issue in the 19th century. In those days, Pest's dust and mud was as infamous as London's smog. Széchenyi proposed planting trees to enhance the city's air quality. That idea was vehemently rejected by the city council. "What identifies a city? Houses. And what identifies a wood? Trees. So, do we want a wood

in the city? No!" one councillor argued. His colleagues agreed with him, probably because tree-lined streets were considered a typical feature of small provincial towns.

Although later on other councillors acknowledged the need for trees, the center of present-day Pest still can't boast an abundance of greenery. But there are more verdant areas than meet the eye, most of them well hidden in courtyards and gardens normally closed to the public. Some of these hidden places can be visited as part of the Secret Garden tour, one of Imagine Budapest's offers, under the guidance of landscape architect Júlia Szekeres.

And secret those gardens certainly are. Few would have probably guessed that there is a vast green area right in the center of town, just behind the huge Bauhaus building at the crossing of Károly Boulevard and Rákóczi Street. Today, the huge communal garden almost resembles a small wood, which first started sprouting from seeds dropped by birds and flourished through decades of neglect during which time numerous trees and shrubs took root,

says Szekeres. The centerpiece of the garden used to be a large symmetric pool in which the modernist Bauhaus building was reflected, but the pool was filled up with rubble after the Second World War.

As she guides participants from one garden to another – including an old green courtyard with one of the few surviving old water pumps in the city, roof terraces, cloister gardens, and a shady tea garden – Szekeres has many tales to tell about the city. For example, in the old days, Pest

"What made Budapest into the city it is today."







depended on water carriers selling water straight from the Danube, and how Magyar Street got its name from an ethnic German called Ungar (Hungarian in German) who owned most buildings in the former red-light district and whose name was then Magyarized.

Along the way, she also points out numerous small details and tells about the developments of Pest's green areas. One of the stops during the tour is a hidden, well-kempt public park behind the former city palace of the Károlyi family, today the Petöfi Literary Museum. In the 19th century, the park was a private garden belonging to the palace and one of the rare green areas within the city walls of Pest, the present-day 5th district. Occupants of the surrounding houses were willing to pay dearly for the leafy view from their windows, proof that citizens took a different view on urban trees than city councilors. The garden was almost lost for the city when Count Mihály Károlyi, the same who in 1919 became the short-lived president of the first Hungarian republic, wanted to sell the place to finance his typical Hungarian dandy lifestyle. Recognizing the value of Pest's only green space, his wife successfully opposed.

## THOROUGH RESEARCH

IMAGINE BUDAPEST'S tours concentrate on interesting, not necessarily beautiful spots. As Emese Káldi explains, the idea is to show who and what made Budapest into the city it is today, and therefore, matters like beauty, ugliness, or quality of life don't really count. What drives the people behind Imagine Budapest is their own curiosity about the city. For instance, Katalin Káldy got involved when, while teaching arts at a school, she found she was unable to tell her students anything about the building they were occupying. It was then that she realized how little she actually knew about the town in which she was living.

Besides the Secret Garden Tour, walks of Imagine Budapest include one along Pest's houses of worship, a walk that concentrates on the decorations of Budapest's building fronts and what these tell about those who built the houses, and a walk along Buda's Fő Street, which is essentially a walk along Buda's historical timeline, as the street is lined with buildings from many centuries. Every tour is the result of thorough research into the subject, but as Szekeres

explains, the content of a tour also changes depending on the questions of participants. "Every group is different, so there are always surprises, and tours keep developing based on the remarks people make," she says.

Most walks are still conducted only in Hungarian, but the company has an English-language website and is busy developing English-language tours. Three of the city walks have now been translated, but as Szekeres points out, foreign tourists are not their first target audience. "These are not the kind of tours the average tourist who visits Budapest for the first time in his life is interested in," she says. But they are very worthwhile for people who have been living in Budapest for a longer time and would like to deepen their knowledge of the city beyond the obvious. These tours do indeed offer a glimpse into hidden parts of the city, but also into the city's history, its tales, and its people, past and present. ★



# András Török's Budapest

## SEVEN GREAT CHRISTMAS GIFT IDEAS

**DON'T COMMIT** the terrible mistake of giving your expat friends bottles of Unicum or Tokaj wine, or extra hot red paprika in a cloth bag for Christmas. All the others will do that. The following ideas will put you ahead of the pack.

### THE WHITE KING

This phenomenal novel by young Hungarian writer György Dragomán is a dark and funny tour de force from a child's perspective, set in Transylvania during the Ceausescu regime. The fun, unpredictability, and originality of *Huckleberry Finn*, no kidding. It was translated into about 30 (!) languages.

### A 1930S PHOTOGRAPH

Several of the world's most renowned photographers came from Hungary, but there were also lesser-known but worthwhile contemporaries who stayed behind. Beautiful modern prints of some of their photographs are now available at very reasonable prices from the Mai Manó Ház bookshop, great for home decoration. If your friend is a collector of art, you can find great vintage copies in Vintage Gallery.

### A HUNGARIAN QUARTERLY SUBSCRIPTION

This is a serious review edited in Budapest, with a lot of fun reading, from poems and short stories to cultural, historical, and social articles. It is well designed and an English-language entrance to a "culturally overdeveloped country." Don't be deterred by the fact that the paper can now be accessed through the Internet. It is not the real thing – in this case.

### SOMETHING NEW: ALEXANDRA BOOKSHOP

The ground and first floors of the Paris Department Store are now occupied by the book and wine shop of the Alexandra chain. The space is worthy of Rizzoli (New York) or Hatchards (London): an elegant, spacious, happy interior complete with minimalistic design and pretty lights.



### SOMETHING OLD: ALEXANDRA BOOK CAFÉ

On November 9, the renovated Paris Department Store at Andrassy Boulevard 39 became accessible to the public. The inward-looking grand café is in the lavish neo-Renaissance space that was built in the 1880s as the ballroom of the Theresa Town Casino. The meticulously restored grandiose café can host about a hundred guests at a time.

### THREE HUNGARIAN FILMS

Young Hungarian filmmakers have produced some great movies in the last ten years. You can buy three of them on DVD, with English subtitles, and put them into a fancy box with a tailor-made cover. I would include *Kontroll* (a hilarious comedy on the daily life of metro controllers), *White Palms* (the bildungsroman of a talented gymnast in the late totalitarian Hungary) and *Taxidermia* (a complex, poetic, and funny history of three generations in Hungary).

### THE BARTÓK NEW SERIES

Probably the greatest artistic effort in this part of the hemisphere, a fresh and new series of recordings of Béla Bartók (1881–1945) based on the genius of Zoltán Kocsis, pianist and conductor. So far, 15 CDs were produced; many of them won prestigious awards. The series is halfway finished now.

### A CINEMA CARD

Cirko-Gejzír cinema, a 15-year-old and highly original place on the Pest riverfront, is an importer of some of the most original European movies. A cinema card costs some €70, and allows you to visit any number of times (Pest V, Balassi Bálint u. 15–17).

### A PERSONAL TOUR

Expats are probably well aware of the usual sights, and they are likely to know the "hidden treasures" like "The Small Museum Tour" and the like. Instead, give them a choice of itineraries based on your personal life: neighborhoods you have lived in, dreamed to live in, women you went out with, etc. With a little planning, you can put together a great tour.



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commissioned graphical representation  
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# Restaurant 67

## THE SURPRISE OF THE YEAR

WWW.DININGGUIDE.HU

### DINING GUIDE

Restaurant 67 is located in one of the patrician houses in the old town of Székesfehérvár. With its thick rubblework walls and grand archways, it is not only a safe haven which has stood the test of time, but it has also, in the past few months, become a venue for sophisticated gastronomy.

BY TED APRAJEV

**T**HE INFORMAL, friendly service is fast, subtle, and conscientious. The main course sets a high standard: cod with warm polenta and rucola oil. The fish has a perfect, noble flavor. It is perfectly cooked with slightly crisp skin. The polenta is creamy and undisturbed by the rosemary flavor, which contributes a rustic feeling. The dish is brought to life by the exceptional, almost corn-like rucola oil that is placed on the plate in a single line. The real effect is achieved by the combination of all three elements, when the rucola, fish, and creamy polenta melt into one another. Although it could be considered unusual to mention intelligence in connection with food, this is what comes to my mind.

With great anticipation, I then tried the cream of celery and sweet potato soup with foie gras, and it didn't disappoint. It is a fantastic, dual-flavored cream, which discretely gives the taste of celery while still allowing the veiled sweetness of the sweet potato to come through. The vanilla foie gras medallion was also appetizing, though it could have had a stronger character in this delicate arrangement.

Then came one of the high points of the evening: the chicken thigh 'mignon' with wine sauce and cauliflower purée. I appreciate the classic three-piece composition. Part of the chicken thigh in a light gelatin form winds around, resting on the creamy sauce made from Loliense wine, savoring every refined flavor and taste in small drops. The third part is the cauliflower purée in which the taste of horseradish springs out unsuspectingly and complements the flavor

of the cauliflower. The consistency of the chicken thigh is perfect: juicy and fresh. It is only a slight exaggeration to say that the sauce concentrates an entire wine region – or at least a good year, namely the exquisite wines of 2007 – into a single experience. There's no stopping now. What will the chef think of next?

The roast lamb – thin slices of leg of lamb – with ragout of small slate-green Puy lentils and truffle oil potatoes is the answer. The meat is close to perfection, although it shows signs of dryness and its crust lacks character as if it hadn't been singed long enough to seal it, and part of the moisture was lost. It is flavorful and tasty, especially the lentils thickened with small squares of beef tongue. The three potatoes, even with truffle oil in their skins, didn't make the grade, perhaps because their skins were slightly wrinkled.

Next up is the pre-dessert, the mousse au chocolate made from the "Abinao Grand Crus" chocolate bars of French chocolate-maker Valrhona, which didn't decorate my plate for too long since it was irresistibly light, yet richly chocolaty. It was one of those rare occasions when I could taste the natural flavor of chocolate.

Finally came the last dessert, the "67" cherry tart by László Mihályi, which was a worthy finale, considering the fact that it wasn't easy to outdo the pre-dessert. It was crisp, tender, and fruity, just like a real Mihályi dessert.

It was a sad farewell. The leading restaurants of Pest have a serious rival. It's also a great pleasure to have experienced all this in a country town, where under the care of Zoltán Herczeg, who jokingly refers to himself as a 'gastromanager', and chef Attila Mógor, 67 is getting praise even from the locals. ★

*Dining Guide examines the quality and level of ingredients, technologies and creativity of the kitchen, ambiance, presentation, service, and the relation between enjoyability and price level, all according to professional standards. After several visits, the restaurant is then rated an average on a ten-point scale. (Restaurant 67 was visited only once).*

#### RESTAURANT 67

Székesfehérvár, Jókai u. 1-3.

T: (+36 20) 951 8488

Open: Mon–Sat 11:30am–11:30pm



# Happenings

DECEMBER/  
JANUARY

## “BEAUTY OF ALCHEMY” EXHIBIT Until March 15

RENOWNED FOR CONCOCTING gracefully mystical imagery, 16th-century Italian artist and alchemist Parmigianino was a pioneer of style-focused Mannerism, shifting the aesthetics of the Renaissance era from naturalistic conventions toward perspectives of the bizarre. While this Parma-born visionary is best-known for his colorful paintings, he was also a revered draftsman and is considered the first major artist from Italy to take up etching, carving out a fruitful collection of prints and drawings now on display at the Museum of Fine Arts (Pest XIV, Heroes' Square); see [www.mfab.hu](http://www.mfab.hu) for details. ★



### GHYMES CHRISTMAS CONCERTS

December 15 – 2pm and 7pm Petőfi Csarnok

THIS FESTIVE folk band plays Christmas classics with a modern edge, rooted in Central European traditions, at the Petőfi Csarnok (Pest XIV, Zichy Mihály út 14); log onto [www.ghymes.hu](http://www.ghymes.hu) for info. ★

### THE NUTCRACKER December 5, 6, 13, 25, 26 – 11am December 2, 3, 9, 10, 16, 17, 27, 29 – 6pm

THE COUNTRY'S best ballet dancers bring this Christmastime fairy tale alive to Tchaikovsky's beloved score at the Hungarian State Opera House (Pest VI, Andrassy út 22); view [www.opera.hu](http://www.opera.hu) for info. ★



### BUDAPEST JAZZ ORCHESTRA

December 15 – 7:30pm

ENJOY SWINGING season's greetings from this 17-member band playing holiday tunes with Liberian-German siren Pat Appleton, all on the IBS Stage (Buda II, Tárogató út 2-4); see [www.bjo.hu](http://www.bjo.hu) to learn more. ★

## NEW YEAR'S EVE BALL AT THE OPERA

December 31

DRESS TO THE NINES and welcome 2010 in grand style at Hungary's most lavish “Szilveszter” celebration – it begins with a gala concert featuring the Budapest Philharmonic Orchestra, followed by a jubilee dinner catered by Gundel Restaurant before the customary New Year's champagne toast at midnight, preceding dancing on the stage to the music of a live band until dawn, all amid the opulent glory of the Hungarian State Opera House (Pest VI, Andrassy út 22); visit [www.viparts.hu](http://www.viparts.hu) for program and ticket information. ★





## Conference and golf teambuilding in Autumn

The Pólus Palace Thermal Golf Club Hotel is the most attractive golf-, wellness- and conference hotel in the close neighborhood of Budapest, which provides a quiet place for different programs, like business meetings, lunches, press conferences, and other gatherings.

The hotel is located on a fresh, green hill, surrounded by rich forests, only 30 minutes from downtown Budapest.

This is a fascinating place, where the sophisticated style joins friendly atmosphere in a professional harmony.

The elegant and comfortable rooms of this 5-star hotel are fitted with all modern conveniences.

The atmosphere, elegance and technical equipments of the conference halls inspire the participants of the different conferences, seminars, trainings.



### Accommodation:

Room with single bed: 20.000 Ft

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Our rates are quoted in Ft per room per night, including the related taxes and rich buffet breakfast.



### Conference-price for a whole day: 12.900 Ft/person

The package contains:

- Usage of the conference hall all day with basic equipment (projection screen, 1 flipchart)
  - Free wireless internet connection in the conference halls
- Freshly brewed coffee, tea specialties with lemon, honey and milk; home-made cookies in the forenoon
  - Buffet lunch
- Freshly brewed coffee, tea specialties with lemon, honey and milk; home-made cookies, fresh fruits and appetizers in the afternoon
  - A bottle of soda or mineral water during the coffee breaks
- Relaxation in our Kerubina Wellness & Spa department after the conference
  - Extra: 50 minutes golf-training with presentation

### Conference-price for a half-day: 8.900 Ft/person

The package contains:

- Usage of the conference hall for a half-day (max. 4 hours) with basic equipment (projection screen, 1 flipchart)
  - Free wireless internet connection in the conference halls
- Freshly brewed coffee, tea specialties with lemon, honey and milk; home-made cookies in the forenoon
  - Buffet lunch
- A bottle of soda or mineral water during the coffee breaks
- Relaxation in our Kerubina Wellness & Spa department after the conference

*The offer is available only with at least 20 participants.  
The room prices are available only with the conference package.*

**Purchaser's allowance: by reserving at least 50 nights during the offers validity, we present you a voucher for a 2 nights stay in our hotel.**

**The offer's validity: from September 2009 – 30th November 2009.**

To order the Pólus Palace Conference Package, please send us a message to [sales@poluspallace.hu](mailto:sales@poluspallace.hu) or call us: +36 27 530 520.



# High hopes for Hungary

PANNON KEEPS  
INVESTING AND  
GROWING

YOU CAN SOMETIMES judge a book by its cover, according to Pannon's CEO Anders Jensen, referring to "Pannon House," the company's new high-tech looking, energy-efficient facility on the outskirts of Budapest. "We are very happy with it for a number of reasons," he says. "It's something very different from what we had before and also reflects a little bit the company that we'd like to be, going forward in environment, new technology, and everything surrounding that."

It's a forward-looking attitude in a telecom market that Jensen describes as challenging. "It's an interesting combination of a very mature and an emerging market, in one." In terms of core voice, he admits there's not much movement in Hungary – the result of fierce competition among the players in the Hungarian market. "On the data side," says Jensen, "broadband is a growth market for us and has increased by 3% for us over the last three months, which is similar to what we saw with GSM growth six to eight years ago."

That's good news in the context of the global economic crisis, which he contends is quite unique. "This is something we haven't experienced in 70 or 80 years, so it's difficult to know what to make of it. We are wondering 'Have we gone into a second phase?' One thing that has been sort of communicated a lot is that telecom or mobile telecom has largely been protected from the impacts of the recession, and now we see that clearly that's no longer the case – we are feeling the pinch from the recession. Maybe not as much as other industries, but still, it has started to hit our top line as well. Opportunities do arise, but you must be agile, you have to think about things in different ways. As consumers' buying power is reduced in this context, we must be on our toes." He says financial agility in these times is crucial, "but if you lose valuable assets, then you can end up with problems in the future."

In terms of Pannon's commitment to heavy investment in the industry to enhance the capabilities of mobile technology, the company is here to stay. "The ICT sector plays an important role in the way out of it, because we're in an investment-heavy industry, and we lead the way for many other industries. We need to keep investing and growing, because that will keep the wheels turning – and that's exactly what we're doing." If the market is slightly deregulated in the next year, allowing for

more rollout and investments, Jensen sees a very good outlook for the telecoms market in Hungary.

Anders Jensen came to Pannon, owned by Norwegian-based Telenor, from Grameenphone (another Telenor subsidiary) in Bangladesh, and prior to that, Vodafone with roles in Sweden, the UK, and Italy. "It's been a good ride for me. Telenor has a clear growth profile. I've had the opportunity to work in an emerging market – which is fundamentally different from anything I've ever experienced before – with enormous growth."

He says that Hungary has been nice as an acquaintance for him so far, but recognizes its challenges and how AmCham can help the country with these. "Given its strategic position, AmCham has an important role in attracting FDI to Hungary and driving debate here on what kind of improvements we need to see in the corporate landscape for those investments to take place. When things may be lagging a bit behind, it's important for us to help the country host a more appetizing commercial landscape," he says. "We're industrious and have high hopes for Hungary. We believe in its foundations, even though it is easy to play a negative tune if we think of the macro financial challenges. We must rise above these and drive change." ★



ANDERS JENSEN



# Conference for new labor code a success

“WITH THIS CONFERENCE, we succeeded in raising the issue of the need for a new labor code in Hungary. It has been put on the public agenda, even though some members of the National Interest Reconciliation Council (OÉT) said it is not topical,” says Attila Suhajda, one of the organizers of the Labor Code Conference which took place on October 6 and was sponsored by Sándor Szegedi Szent-Ivány & Komáromi Attorneys at Law.

Clearly, the participants at the conference do think the issue is an important one to be addressed now, and they represent a vast range of employers and employees, Suhajda says. The conference was attended by representatives from the American and the British Chamber of Commercés (who initiated it), the German Chamber, the Hungarian Service and Outsourcing Association (of which Suhajda is the president), the Confederation of Hungarian Employers and Industrialists, the Hungarian Chamber of Commerce and Industry, the Joint Venture Association, the National Association of Entrepreneurs and Employers, the National Federation of Hungarian Trade Unions, and representatives of ministries and the academic world, among others. The participants decided “to go forward together” by



organizing a series of six workshops, each dedicated to a chapter of the thesis for a new labor code, which was presented at the conference, says Suhajda. The idea of the workshops, which should be finished before the next parliamentary elections, is to debate the details, collect arguments, and familiarize everybody involved, including politicians, with the issues, Suhajda adds. Participants are also looking into the possibility of setting up a dedicated website and of continuing the cooperation for a new labor code under the umbrella of a common name. ★

## Health care: debating vital questions

“THE GOOD NEWS is that, today, the opinions on what should be done in this sector of people closely involved in health care tend to be nearer to each other than they used to be,” says Csaba Szokodi, chairman of the AmCham Healthcare Committee, when looking back at the first meeting in a series of “Debates on vital questions in Hungarian health care policies” which this committee is organizing.

It is already very positive that representatives of both political sides took part in the first debate, held on October 13, notably former socialist minister of health Dr. Jenő Rácz and former Fidesz minister of health Dr. István Mikola, says Szokodi. Also present were a range of highly respected health care experts such as Dr. András Szepesi (chief editor of *The Hospital*), Dr. Éva Orosz (ELTE professor), and Eszter Sinkó (Semmelweis University). “Our objective with these debates, with and between experts and politicians, is to find solutions and compromises,” Szokodi says. “We do need consensus between major political players, and we do not want health care to become a tool in political games again, as it was in the days of the referendum.”

The first debates have also reiterated that Hungarian health care is in a multiple-

level crisis, ranging from a lack of money and a bad infrastructure, to human resources issues, and a crisis of confidence in the larger society, he says. “Year after year, the system has been eroding, so now we need crisis management to tackle the acute problems, as well as a long-term plan to reform health care.”

The second event in the series will focus on health care trends and strategies. ★





# Investing in new technologies

## GE KEEPS A SIGNIFICANT FOOTPRINT IN HUNGARY

IN SPITE OF the fact that GE is now negotiating with trade unions about the layoff of 2,570 people in Hungary, the country stays very important for the company and GE will still employ more than 11,000 after the planned restructuring. "As elsewhere, we are shifting investments to modern products and sectors," says Ferdinando Beccalli-Falco, president and CEO of GE International. There is – also with GE – a shift in the lighting industry from the traditional low-efficiency lighting towards more modern energy efficient products, "and we keep investing in modern health care, energy, transportation, and water-treatment technology development and production all over the world including in Hungary, too," he adds.

Beccalli, who also gave a speech at a "Global Leaders on the AmCham Podium" dinner at the Kempinski Hotel Corvinus Budapest on November 23, emphasizes that GE has and will continue to have "a massive footprint" in Hungary. "We were the first big international company that made a major investment in Hungary in 1989, and we plan to continue to invest, if the region continues to grow" he says. In Hungary, GE employs 14,000 people, operates 12 factories, a bank, three regional headquarters, and three business technology centers including one with global responsibility for lighting.

Confronted with the worldwide financial and economic crisis, GE decided to concentrate on its core businesses and to invest even more in technology, Beccalli explains. "We don't know whether this crisis is U-shaped, V-shaped, or W-shaped, but it will end and we need to be ready when the new growth cycle starts. In the next years, we will especially develop technologies that boost environmental sustainability, as the problems in the environment really can no longer be ignored. Health care technology, that makes it possible that people will live longer than they used to live and can reach their 100th anniversary in good health, will be another important development, as will be technologies to help eliminate the poverty gap between the haves and the have-nots in this world," he says.

In his view globalization, of which Hungary has been a beneficiary in the past 20 years, will continue to be an important factor in future growth, although not the US consumers, but the Eastern consumers in China, India, and possibly also in Central and Eastern Europe (CEE) will drive worldwide growth. "The economies of the CEE are and will be extremely interesting. Since these countries joined the EU, cash is flowing to solve problems in infrastructure modernization like energy, transportation, water, and others. So growth and investment in these countries will continue and they still have huge potential if they leapfrog with their infrastructure using top technology."

He also emphasizes the importance of the central location within the EU and closeness to the non-EU markets, the high level of education and the talent pool in all these countries. Thanks

to the education policies of the past, it is relatively easy to find lots of people with talent, intellectual power and drive here, he says. "That is why we have no less than seven technology centers in the CEE." Through its philanthropic GE Foundation Scholar-Leader program the company also invests in the human capital of the region and also fosters the formation of a Central European network of future leaders.

Beccalli expects that, as a result of the crisis, business will face increasing regulation. It might lead to certain problems as regulation tends to stifle growth, he says, "but more and more, governments will set the direction, framework, and regulations in which private enterprise will have to operate," adding that especially the cooperation between business and national as well as lower levels of government will increase. GE is currently implementing a pilot program with 11 cities in the world, he says, where the company looks at the problems these cities have with environment, energy, water, and other infrastructure areas, and then will try to create – together with the cities – systematic solutions. "We are no longer selling a product, we sell a solution. We don't just sell a power station to a city, but a complete energy solution that can include solar energy, wind energy, and even water treatment," he says. This also means that GE has to team up with other companies which are specialized in certain aspect of that total solution, he adds.

GE also believes that a regional energy cooperation could boost the competitiveness of every participating Central European country within the framework of the EU, while also helping them to get closer to the 20-20-20 target and prepare for the energy demand of the next growth cycle. ★



# Third annual conference on diversity

ON OCTOBER 1, the third-annual conference on diversity was held, organized together with Salva Vita Foundation. The title of the conference was "Employment of people with disabilities – in the spirit of creativity and innovation". In Hungary, the number of people living with a compromised ability to work, including people with disabilities, is approximately 650,000. While in the EU, the employment rate of this group is 30–4%, in Hungary it is only estimated at 9–13%. It is in the essential interest of companies to open up towards this population as they represent a workforce yet unused. ★



## Seminar on the liberalized electricity market

NEW TRENDS in the liberalized electricity market, that was the subject of a seminar on October 26, organized by AmCham in cooperation with ELMŰ-ÉMÁSZ Group in the Kempinski Hotel Corvinus Budapest. The seminar provided a brief overview of the current status of the domestic energy market, aspects of the purchase of power, prevailing price trends and relevant expectations, and the possibilities in energy efficiency and energy savings in both the corporate and the private sector. ★



## A Day To Make It Happen

ON OCTOBER 3, the AmCham Foundation organized "A Day to Make it Happen". 66 volunteers gathered at the park of the Hűvösvölgyi Gyermeekotthon to put part of the huge garden back into shape. The AmCham Foundation would like to thank all volunteers and supporters for their contribution! Special thanks to Aquastella (mineral water), GE Consumer and Industrial Lighting (light bulbs), Interdean Hungária Nemzetközi Költöztető Kft. (containers), Jávorszky Tiszafa Kft. (gardening tools), Sándor Szegedi Szent-Ivány Komáromi Eversheds Attorneys at Law (containers), and Lexmark International Technology Hungária Kft. (plants) for their help! ★





# Seminar on foreign corporation rules

ON NOVEMBER 11, AmCham, Amicorp Switzerland, A.G. and ABN AMRO Private Banking together organized a seminar called "Successfully navigating through new Hungarian controlled foreign corporation rules". The event at the Kempinski Hotel Corvinus Budapest dealt with the upcoming changes in the Hungarian tax legislation, especially the Controlled Foreign Corporation (CFC) rules, effective January 2010. ★



# Thanksgiving Dinner

OVER 150 PEOPLE attended AmCham's traditional Thanksgiving dinner, which took place on November 26 at the Budapest Marriott Hotel. They enjoyed a wonderful buffet and the charity auction to support the AmCham Foundation.. ★



# AmCham Annual General Assembly

OPENING THE 20TH AmCham Annual General Assembly (AGA) on December 1 at the Budapest Marriot Hotel, AmCham President Gusztáv Bienerth highlighted the numerous internal and external changes experienced by AmCham, placing emphasis on the continuous efforts of AmCham in lobbying for a more competitive business environment in Hungary. Péter Dávid, CEO of AmCham, highlighted the major milestones over the past months, including the 20th Anniversary Celebration, conferences for a New Labor Code and on advertisement regulations, and the new visual identity of the Chamber, just to name a few. Dávid finished his report by thanking the outgoing board members Péter Paál, László Szakál, Erzsébet Antal, Barbara Brill, and Christopher Mattheisen for their dedication and significant contributions to the Chamber's successes over the

past years. After strong campaign speeches by all candidates, David Young, partner at Amrop Hever Group / Kohlmann & Young Kft., was elected First Vice-President, and Steve Corwell, CEO of AES Hungary, became Second Vice-President in a very tight race. The new Secretary Treasurer of AmCham is Ferenc Pongrácz, CFO of IBM Hungary, and three new members were taken onto the Board: John Cantwell, managing director of Dramatrix, Andrea Jádi-Németh, CEO of bpv | Jádi Németh Attorneys at Law, and Frank J. Klausz 3rd, director of A.T. Kearney. All positions are for a two-year term. The AGA also gave a forum for the presentation of the Dr. Iván Völgyes Award, which recognizes an individual's significant contribution to the strengthening of US-Hungarian investor relations. This year, the award was presented to László Cziráj, a former President of

AmCham and the current Chairman of the Corporate Governance Committee, with a mission of improving the ethics of private, nonprofit, and public sector governance practices, in line with AmCham's mission. The award was handed over by László Deim from Synergon, as supporter of the award. AmCham would like to thank Lakatos, Köves and Partners Attorneys at Law for being the exclusive sponsor of the Annual General Assembly 2009. ★



## Thanksgiving Charity Drive



THE AIM OF THIS YEAR'S Thanksgiving Charity Drive was to support children's homes in Szabolcs-Szatmár-Bereg county. The charity auction at the Thanksgiving Dinner raised close Ft to 6,000,000.

The Disabled Home in Kisléta provides long-term residential care facilities dedicated exclusively to children and young people with severe physical and intellectual disabilities. Staff provides medical, therapeutic, educational and recreational services for as many as 220 children and young adults, among them 58 children aged zero to 16 years. The children require continuous skilled nursing care. Most of them are abandoned and they aren't visited or supported by their families. Disabled children who are unable to live at home are the most vulnerable ones. Moreover, these children often have complex medical problems. ★

SPECIAL THANKS TO THE COMPANIES AND INDIVIDUALS WHO HAVE ALREADY CONTRIBUTED TO AMCHAM FOUNDATION'S THANKSGIVING CHARITY DRIVE 2009:

Alapy Family • Amrop Hever Group / Kohlmann & Young Kft. • Árvay Family • Bán, S. Szabó and Partners Ügyvédi Iroda • Balogh, István • Benkő, Anikó • Bosnyák Family • Budapest Marriott Hotel • Cagney, Clane • Candy Hungary • Citibank Hungary • Coca-Cola Beverages Magyarország Kft. • Corinthia Grand Hotel Royal • Corwell, Steve • Cziráj, László • Dobozy, Rózsa • Dow Hungary Chemicals Ltd. • Drain, Marianne • ExxonMobil BSC Hungary • Elcoteq Hungary Kft. • Family Frost Kft. • FirstMed Centers Kft. • Flextronics International Kft. • Füzes Péter • Fox Autorent • GE Lighting • Grader, Robert • Holmes Place Hungary • Hyde, Juliette • IBUSZ Travel Agency • ICON Restaurant, Hilton Budapest • Interag Holding Zrt. • Interdean Hungária Nemzetközi Költöztető Kft. • Jabil Circuit Magyarország Kft.\* Dr. Jádi-Németh, Andrea • Jávorszky Tiszafa Kft. • Johnson & Johnson Kft. • Kukaj, Zsuzsanna • Kovács Gábor Művészeti Alapítvány • Manhattan Language Studio • Masterfoods Magyarország Bt. • Mécs és Társai Kft. • Memolux Kft. • Millennium Court Executive Apartements • Moldován, András • Nagy, Andrea • Nagy, Eszter • Nuance-Recognita Corp. • Peaslee, Robert • Reader's Digest Kiadó Kft. • SSL Hungary • Sándor Szegedi Szent-Ivány Komáromi Eversheds Attorneys at Law • SCA Hygiene Products Kft. • Szokodi, Csaba • Synergon Informatikai Nyrt. • Tensi Aviation • Tesco – Global Áruházak Rt. • Zwack Unicum ★





## NEW MEMBERS - BUSINESS

### MANHATTAN STUDIO KFT.



CEO: Zoltán Debrei  
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Phone/Fax: (+36.1) 431 8630  
Website: www.manhattannyelvstudio.hu



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## NEW MEMBERS - BUSINESS

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Gozsdu Yard "C" Yard  
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Website: www.holmesplace.hu



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### HORVÁTH & PARTNERS DLA



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Website: www.dlapiper.com



Horváth & Partners DLA Piper is one of the leading corporate law firms in Hungary. DLA Piper is among the most dynamically developing international legal practice, with its 3,500 lawyers in 67 offices in 29 countries around the world. It has presence in seven countries within Central Eastern Europe. In terms of its size, DLA Piper was ranked first on the revenue list of Business Global 100 in 2009. according to Mergermarket, the firm, managed jointly from Chicago and London, was ranked first among the world's M&A legal practices based on the number of M&A transactions in 2008. DLA Piper – against the recent prevailing trend among international law firms – anticipates a strong, long-term and dynamically developing market presence in Hungary as well.

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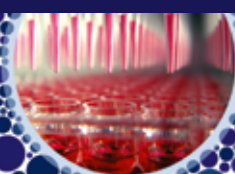
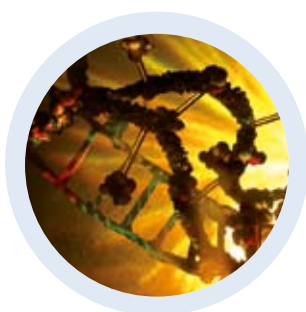
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