

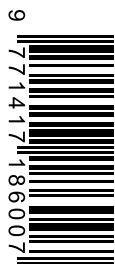
BUSINESS HUNGARY

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Harnessing Hungarian waters

OMOROVICZA
EXPANDS GLOBALLY



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Bridging the divide

REFORM
ALLIANCE
BUILDS
ON EXPERTISE
AND RESPECT-
ABILITY



The end of job-hopping

LEANER
YEARS AHEAD
FOR TOP
MANAGERS



Scary masks

KEEPING
PAGAN
TRADITIONS
IN MOHÁCS

PRESENTATION

"ART TREASURES HAVE A STORY TO TELL"

COUNTERFEIT - REPLICA - REMINISCENCE
IN THE WORLD OF PORCELAIN

INVESTMENT OR DECEPTION?

Speaker: László Vaja

DATE: 26TH FEBRUARY 2009 AT 5.00 P.M.

VENUE: BÁV AUCTION HOUSE, APSZIS HALL

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BÁV COMMISSION TRADE AND PAWNBROKER COMPANY



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DEPUTY EDITORS

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Nick Robertson

PHOTO EDITOR

Róbert Karádi

TYPOGRAPHY, DESIGN

Dominika Kiss

CONTRIBUTING WRITERS

Amy Brouillette, Kester Eddy, András
Inotai, Tamás Kern, András Török

PHOTO CONTRIBUTORS

BH-PXB Archive, Runa Hellinga,
Márton Magócsi, MTI, Reddot,
Reuters

PUBLISHING DIRECTOR

Margit Kohanecz

SALES MANAGER

Krisztina Otto
(+36 30 664 96 47)

PRODUCTION MANAGER

Péter Wunderlich

PUBLISHER

András Wiszkidenszky

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H-1061 Budapest, Király utca 16
Phone: (+36 1) 887 4848

ADVERTISING INQUIRIES

sales@pxb.hu

LETTERS TO THE EDITOR

business.hungary@pxb.hu



AMCHAM BOARD OF GOVERNORS



PRESIDENT

DR. GUSZTÁV BIENERTH

T: (36 1) 266 9880
Fax: (36 1) 266 9888
gusztav.bienert@amcham.hu



FIRST VICE PRESIDENT

DR. PÉTER PAÁL

IBM Hungary
117 Budapest, Neumann János utca 1
T: (36 1) 382 5613 Fax: (36 1) 382 5501
peter.paal@hu.ibm.com



SECOND VICE PRESIDENT

DR. LÁSZLÓ SZAKÁL

EDS Hungary
114 Budapest, Bartók B. út 43-47
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laszlo.szakal@eds.com



SECRETARY TREASURER

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eantal@hu.tesco-europe.com



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bbrill@slagerradio.hu



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CHRISTOPHER MATTHEISEN

Magyar Telekom Plc.
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vezergazgato@telecom.hu



DR. PÉTER OSZKÓ

Deloitte Co Plc.
1068 Budapest, Dózsa György út 84/c
T: (36 1) 428 6800 Fax: (36 1) 428 6801
poszko@deloittece.com



DR. CSABA SZOKODI

Johnson & Johnson Kft.
2045 Törökbálint, Tó Park
T: (36 23) 510-919 Fax: (36 23) 510-929
cszokodi@its.jnj.com



CHIEF EXECUTIVE OFFICER

PÉTER DÁVID

AmCham
1052 Budapest, Deák Ferenc utca 10
T: (36 1) 266 9880 Fax: (36 1) 266 9888
peter.david@amcham.hu

EX OFFICIO MEMBERS

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Dear Members and Friends

WHILE IT IS OFTEN DIFFICULT to measure the impact of AmCham's advocacy activities, I am pleased to report to you a recent success that is clearly the result of very focused efforts on AmCham's behalf. Through the direct involvement of our Transparency Committee and the Board, Parliament has recently modified the Public Procurement Law, adopting almost all of our recommendations. These recommendations are aimed at increasing transparency, accountability and access to information for the benefit of all. André Mécs and his team have done an excellent job in this effort. Needless to say, the work is still far from being accomplished.

In my recent meeting with the minister of justice, I was also informed that a comprehensive package dealing with transparency and corruption, which are of paramount importance to the new Board, is currently being formed. AmCham, together with other institutions such as Transparency International, will be involved in the shaping of this package to ensure that necessary decisions are taken to reverse a trend that is alarming to many of us.

After soliciting feedback from the entire membership, and in the interest of increased efficiency and clearer focus, the Board has recently approved a proposal to restructure AmCham's committees. Through this, four key focus areas – taxation, labor and education, transparency, and membership – will be dealt with by councils to be headed by professionals who will also be invited to take part in all Board meetings. In addition to this, a new assortment of committees will continue to address issues pertinent to the membership. I encourage and welcome all of you to actively take part in a council or committee closest to your interest, your profession or your ambitions.

Finally, these are not only difficult but also busy times. Over the past month, I have represented you and the chamber in numerous meetings with members of the government and leaders of the opposition, participated in economic forums and in sessions of Parliament, and joined initiatives to raise awareness of the global challenges that Hungary is facing. In doing so, I have focused on promoting solutions that are not only the right ones for today, but also for tomorrow.

Kind regards,
Gusztáv Bienérth



Advocating
increased
transparency
yields first
success.



Bridging the divide

REFORM ALLIANCE HOPES TO BUILD ON EXPERTISE AND RESPECTABILITY

Our reform proposals are being devised by well-respected leaders and experts, so political parties cannot just ignore them, says József Pálincás. “Of course, parties could say the plans are total nonsense. But what is more likely is that they will say: ‘yes, in principle, although with some changes.’ If that is the case, we will have reached our goal.”

BY HENK HIRS

PÁLINCÁS, PRESIDENT of the Hungarian Academy of Sciences and a former Fidesz MP, is one of the founding members of the recently established Reform Alliance, which includes leaders of nine major employers’ organizations, the president of the Hungarian Chamber of Commerce, and the current and past presidents of the Academy. The Alliance aims to design a comprehensive program of reform for the period 2009-2013 and will present its first proposals at the end of February.

LIMITED ROOM

HUNGARY IS IN A KIND OF A DEADLOCK, Pálincás explains. Clearly, there is a need for structural reforms, but these are not coming about or going as fast as they should, partly because the minority government isn’t strong enough to introduce such reforms in society, and partly because some of these reforms need a 2/3 majority. Another major problem is that the public has strong reservations about any reforms, so much so that even the word is tainted. “Large sections of the population do not understand that the systems of health care, education, or pensions cannot be maintained without reform, unless with the assistance of the state budget which means borrowing money.”

“We shouldn’t base the running of our economy on political philosophies.”

This has to change, he emphasizes. “Our thinking is that credible and well-respected leaders and public figures from the worlds of business and science need to cooperate to make this clear.” The initiative will, he hopes, put pressure on the present government to continue with reforms, on political parties not to loosen the budget in the face of European elections this year and parliamentary elections in 2010, and on the new government that gets into office to stay on course, as well. “We have almost 20 years of experience that the budget is loosened during election time. But it would be fatal if that happens again, so parties need to refrain from nonsensical promises. And it must be very clear to a new government, whatever the color, that there is only limited room to maneuver.”

In a country like Hungary, the international economy and global developments basically define the path we can take, Pálincás argues. The difference between good and bad government policies might be a half or one percentage point growth, more or less, which in the long run can be quite important. “But, it is an illusion to think that a government can create high growth in a period of worldwide recession, or that you can increase salaries and social benefits without that being underpinned by real economic and productivity growth.” We want to create proposals that define basic economic policies on which everybody should agree, he says. “The political differences can stay; there is nothing wrong with that. But we shouldn’t base the running of our economy on political philosophies.”

SUPPORT

PÁLINCÁS ACKNOWLEDGES THE DANGER that political parties will start by saying yes to reform proposals, but things will then get



bogged down by the usual political bickering and grandstanding. Still, until now there has never been any independent and coherent proposal for reforms on a broad range of issues, he says. Also, the Alliance will start with proposals in those areas that are less contentious: macroeconomic policy, the real economy with special reference to the position of SMEs, the problems of taxes and social contributions, and the local government system. Local government is the most difficult area of the four, he says, but even there it is obvious that something needs to be done, especially in the sphere of executive institutions on a local level.

Proposals for reforms in areas like health care, education or pensions are to come in a later stage, he says. "These areas are so politicized that it is very hard to come up with something acceptable for everybody. Also, society is very uninformed on these issues. It was a mistake to try and change health care with such

speed without first having enough public support. Experts might see and agree what should be done, but that is not enough. There are always people who are affected unfavorably by reforms, and if there isn't enough social and political support for proposals, it is easy to mobilize their discontent."

The Alliance has been well-received on both sides of the political divide, Pálincás says. "We had correct and good meetings with both Prime Minister Ferenc Gyurcsány and opposition leader Viktor Orbán. They both understand that the country is in big trouble and they both support the notion that experts should work out proposals, based on hard facts and figures." Of course, there is also another danger, he acknowledges, namely that the speed with which the world economic crisis unfolds outruns any proposals. "Our basic assumption now is that GDP in 2009 will go down by 2-3%. If it turns out to be more, we'll have to see." ★

Reform woes

CRISIS FORCES HUNGARY TO IMPLEMENT STRUCTURAL CHANGES

It is all but certain now that what is already dubbed by some analysts as "the world's first global recession" is going to cause more severe problems for Hungary. Instead of an earlier-estimated minus 1% GDP development in 2009, the EU now thinks that Hungary's economy might contract by 1.7%, the government predicts 2.5% to 3% negative growth for this year, and some economists even say minus 4% is not excluded. The government still promises to make an effort to keep the budget deficit target of 2.6%, but a somewhat higher deficit is also possible, as long as it stays below 3%, the euro zone Maastricht criteria. What is certain is that Hungary is forced to implement more rigorous reforms.

BY HENK HIRS

A BETTER TAX AND SOCIAL CONTRIBUTIONS SYSTEM

CHANGES IN THE tax and social contributions system were announced by Prime Minister Ferenc Gyurcsány at the extraordinary session of Parliament on January 29. In Parliament, Gyurcsány outlined a government plan to reconfigure Ft 1,000

billion within the tax system, but said this must be offset on the revenue side. "We should tax labor less and tax spending and wealth more," he said. He proposed eliminating the solidarity tax (a 4% tax on corporations and the wealthiest introduced in 2006), as well as cutting payroll taxes. To offset lost revenue, some tax benefits and exemptions would have to be significantly reduced, the wealth tax on the richest reshuffled, and VAT raised moderately. Also, social



Pressure is on the government to continue with reforms.

and welfare spending (excluding pensions) would be 'grossed up' and taxed. The situation of those with the lowest income would not deteriorate, the PM underlined.

SOCIAL SECURITY SYSTEM

SOCIAL SECURITY REFORM is already well under way, Minister of Finance János Veres claimed while talking to foreign journalists in Hungary. The introduction this year of the "path to work" program intends to create assisted jobs for the unemployed, he said. According to his reckoning, there are 200,000 people on regular social benefits, with between 100,000 and 120,000 of them able to join work schemes that are to be set up by local governments. In these schemes, they will be offered to do community work for regular pay. Another 35,000 of these people are under 35 years of age and uneducated, and they will be offered compulsory skills courses. "Some of the impacts of these measures will not show immediately, within 12 months time, but there will be an impact," Veres stated.

In Parliament, Gyurcsány said that social spending must be made more efficient and need-based: the benefits system would be recalibrated so as to channel more money to those with the greatest need. "It should be clear: those with higher earnings should be allowed to pay less tax, but should not have recourse to welfare," he stated. He added that encouraging work was necessary, as too many people have relied on welfare benefits.

PARLIAMENT AND LOCAL GOVERNMENTS

GYURCSÁNY PROPOSES A PARLIAMENT with 199 instead of 388 MPs, a cheaper election system, and 50% less representatives in local governments (now 26,000), as well. All these proposals need a 2/3 majority approval. A smaller Parliament has been on the agenda for years, but parties have until now not been able to agree on any proposal doing the rounds. There is also wide agreement among experts on the need to reform local government. The high number of local governments (over 3,000) is not at stake, but the pooling and streamlining of services they deliver is.

COMBATING CORRUPTION

THE JUSTICE MINISTRY IS WORKING on a Hungarian whistle blowers legislation, following the US example. But American legislation is not fully compatible with Hungarian privacy rules and has to be adapted to Hungarian circumstances, also to prevent problems with the Constitutional Court. And while everybody agrees that party financing rules are one of the major sources of corruption in Hungary and should definitely be reformed, until now the opposition has blocked a proposal for new regulation, because it doesn't fully agree with all its clauses.

WHITENING OF THE ECONOMY

OVER THE PAST TWO YEARS, attempts to get rid of the gray economy was one of the major areas through which the government tried to create more income for the budget. But although the efforts will continue, it has more or less ran its course, finance minister Veres said. "A few years ago, only 1/3 of all companies paid taxes, now that is 2/3," he stated. The benefit in 2007 was Ft 100 billion, and in 2008 Ft 30 to Ft 50 billion was generated, but Veres said that he thought not much extra financial benefit is to be gained in 2009.

THE IMF AND REFORMS

The official statement from Dominique Strauss-Kahn, the IMF managing director, about the results of his visit on January 13 reads: "I welcomed the authorities' efforts to advance policies that are bringing about a rapid reduction of financial market stress in Hungary and will contribute to create the conditions necessary to facilitate appropriate reforms in government finances and in the banking sector." At a press conference concluding his visit, Strauss-Kahn also said: "Things are progressing as well as possible, but further steps must be taken." The government must decide which further economic steps to take, and if these are acceptable to the IMF, the fund will finance them, he added. Asked by MTI to elaborate on the necessary structural reforms, Strauss-Kahn named taxes, measures to strengthen oversight in the banking and financial sector, and a more efficient labor market as three important areas.

THE UNTOUCHABLES

FINALLY, THERE ARE SEVERAL areas where there should be serious reform, but where structural change is extremely difficult because of lacking support from society: old-age pensions, disability pensions, maternity leave, higher education, and health care. Some changes have been introduced in some of these areas over the past four years (see also our reform series in *Business Hungary* in May-September 2008). One of the latest measures was the decision to cap the 13th month pension at Ft 80,000. But as the health care referendum last year has shown, it is extremely difficult to launch structural reforms unless the two main parties agree on them or new elections produce a 2/3 majority for either side. ★



| There is little room to maneuver for any party.

Harnessing Hungarian waters

OMOROVICZA
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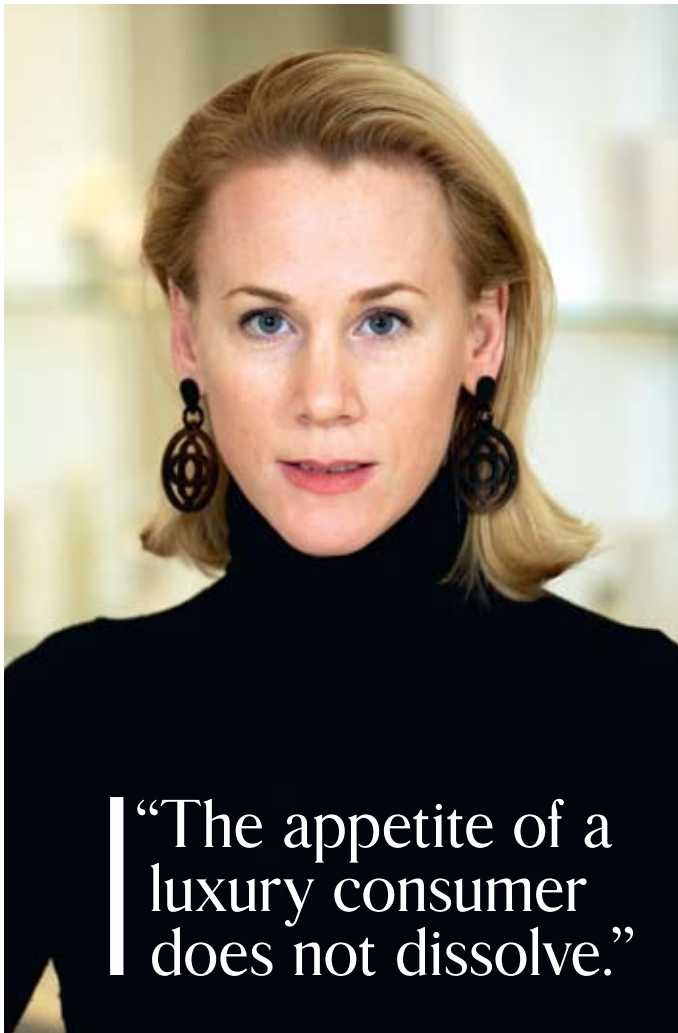
★ Interview

6

The touted therapeutic properties of Hungary's thermal waters attract locals and tourists alike who aim to improve their health through steamy soaks. This was the case for Budapest-based couple Stephen and Margaret de Heinrich, who frequented spas during their courtship and transformed the luxurious pastime into a fresh career path. The couple founded Omorovicza, a company that produces premium skin treatments that harness the benefits of Hungary's mineral-rich springs.

BY MARISA BEAHM

Business
Hungary



A FINELY PAINTED INDIGO peacock spreads its feathers between lit display cases at Omorovicza's immaculate boutique and spa on Andrásy út. The regal bird emits an air of delicacy and natural beauty, making it an appropriate symbol for the health-conscious company with royal ties. Using its coined term of mineral cosmetology, Omorovicza has created a niche for itself in the high-end market – a position they plan to maintain despite a challenging economy.

MAKING HISTORY

IN WHAT SHE CALLS "the biggest stroke of luck in my life," Margaret, a Florida native, came to Budapest in 2001 when former US ambassador Nancy Brinker hired her as a special assistant, a position akin to a chief of staff. It was through Brinker's contacts that Margaret met Stephen, a lawyer and businessman.

Swiss-born Stephen's family is Hungarian, but they left the country at the end of World War II. During Margaret and Stephen's courtship, he began introducing her to Hungarian culture, which included visiting spas while sharing their history and legends. Not only did these amorous trips fill Margaret with a "sense of health," but she also began to see tangible health benefits in her complexion from her time in the baths. "The romantic element kind of filled me first with a great sense of interest, and then I would just simply go home and see the difference in my face," she adds.

While working for Brinker, Margaret traveled around Hungary promoting health care diplomacy, which allowed her to visit the country's medical facilities. On one such trip to a dermatology lab in Szeged, she asked doctors there why her skin looks so great after visiting the spas. They explained that it was because the mineral concentration is strong in the Hungarian waters. After sharing this story with Stephen, he went to the lab of dermatology to find out more about it, which sparked the

idea of creating the skin-treatment line using the mineral-rich water. "It was Stephen who thought the idea would be interesting," Margaret says. This inspired path led them to launch Omorovicza in September 2006. It is named after the former Hungarian town, today in Serbia, that Hungarian leaders gifted to Stephen's family many generations ago.

FAMILY AFFAIR

TRANSITIONING FROM A DIPLOMATIC POST to a small-business owner of a skin-care treatment company was not a twist Margaret expected her life to take. However, she's found her past work experiences have all given her valuable skill sets that she can apply in her new role. Before her work at the embassy, Margaret worked for *Time Magazine*. Her media-savvy skills have paid off, as the company has received favorable product reviews in more than 60 international publications, according to the Omorovicza website. Also, Margaret's time as a diplomat taught her to find solutions to problems and how to connect many disparate things, which has helped her as an entrepreneur who has to be a problem-solver and manager for all aspects of the company.

Furthermore, Margaret has always been a beauty-conscious person who appreciated the industry. "I love the idea and the feeling I get, the promise of going to get a product that an aesthetician recommended, a friend recommended, or I read about in a magazine, then going home and opening it up immediately. And I get that same feeling when I test the products [from Omorovicza]," she says. While past experiences and interests have proved useful in managing the company, her missteps have also been important learning tools, perhaps even more than the advances. "There is nothing like a healthy dose of self-doubt in business to make your

ambitious company start thinking about strategies, looking at competition and frankly realizing that you have been an idiot, which can get you on the right track quicker than anything else."

And the biggest perk of her new job is working with and being inspired by her husband, Margaret says. Sharing the company is beneficial, because they both understand how engrossing it is. "You live it, breathe it; you work on the evenings, you work on the weekends. Every triumph is all-consuming, every challenge builds upon that; and to be able to share that with someone, to look at them and know they feel the exact same thing as you do is fantastic, and exciting, and fun," she describes. Omorovicza proves to be a complete family endeavor, as even the de Heinrichs' two young daughters love to test out their newest creations and provide their own product reviews.

LUXURY IN AN ECONOMIC DOWNTURN

"THIS IS A DIFFICULT TIME for all businesses and Omorovicza is no exception," Margaret says. As luxury producers, the de Heinrichs cannot cut corners or compromise on the quality of their goods, so they must be resourceful in catering to market shifts. "The challenge for us is to deliver innovative, well-made products at great value while maintaining our premium platform," Margaret adds. "The appetite of a luxury consumer does not dissolve even in the most difficult times." One way they are adapting is by offering different sizes of their products. For example, this summer, Omorovicza will release at-home spa kits, travel kits and test kits. They will also be adding an educational platform to their products by giving customers easy-to-follow manuals, Margaret says.

Even amid the economic downturn, Margaret does not believe that the high-quality market is dissipating. Anyone who says that the

Mineral cosmetology

Omorovicza sells 18 products, which includes everything needed for a classical facial. All the mineral treatments – consisting of cleansers, moisturizers, cleansing masks and more – contain Hungarian thermal or healing waters. "Omorovicza is based on a concept we developed with our team called mineral cosmetology," Margaret explains. "This is the science of improving the bioavailability of minerals in skin care." All the products are free from parabens, chemicals, petrochemicals, silicones, synthetic fragrances and colors. In the upcoming year, Omorovicza plans to double its product line, which will include makeup.

This mineral-rich water is extracted from a geothermal source along the Danube, to which the de Heinrichs have exclusive rights. This site is rich in the main minerals Omorovicza uses in its products, including

calcium, magnesium, zinc, and copper. The research on the products was conducted at a dermatology lab in Szeged; products were also tested at institutions in Paris and London.

Today, the company has 18 full-time employees and about a dozen consultants. A contract manufacturer is currently doing Omorovicza's production, but they are building their own factory outside of Budapest, which has the potential to produce other companies' beauty products, Margaret says. By the end of 2009, the factory will employ a dozen people.

The product line – which ranges in price from \$25-\$300, according to Neiman Marcus's website – pays homage to Hungary's history with products like Queen of Hungary Mist, which is a revived 14th-century beauty recipe originally fashioned for Queen Elizabeth of Hungary, according to www.omorovicza.com. The company's average

consumers are primarily college-educated, professional, health-conscious women in their 30s, according to Omorovicza's market research. Already, celebrities like Conan O'Brien have honed in on the Hungarian products line. This American late-night talk show host gives away Omorovicza products to his studio audience every night.



desire of people who were luxury consumers 12 months ago has disappeared is “flat out wrong,” she says. Margaret cites herself as an example of a steady premium consumer. “I have been working since I was 15 years old, went to school on scholarship, but I have always appreciated exquisitely made things. I remember well experiences when I was a bit low on disposable income and had to ‘trade down’ in all these areas,” Margaret recalls. However, as soon as she could responsibly afford it, she returned to her high-quality goods, because you get what you pay for, she says.

Another of Omorovicza’s tactics to staying resilient in a sluggish economy is to expand its distribution base. Currently in the US, the products are sold at upscale spas and at select Neiman Marcus and Bergdorf Goodman shops. In the UK and Ireland, it’s distributed at Harvey Nichols and at other elite shops and spas.

This year, they are expanding into new locations, including plastic surgery centers in the US. The company’s products will now also be offered in the spas at Oberoi Hotels and Resorts. The Oberoi Group owns or manages 30 hotels and luxury cruisers in five countries, including India, according to its website. Soon, the Omorovicza line will also be offered in its hotel rooms too, so the de Heinrichs are expanding their creations to include shampoos and conditioners. The company’s line will also be offered in the Mandarin Oriental Hotel in Hong Kong and one of the Rosewood Hotels and Resorts’s properties in California, Margaret adds. “We are focusing on improving our spa distribution channel, which we will see especially strong

in India, as well as doing a pilot program offering our products in the most prestigious plastic surgery centers in select cities,” Margaret says.

SOPHISTICATED SKIN CARE

AS AN OUTSIDER in the Hungarian culture, Margaret has been impressed by the city’s culture of health, especially when related to skin care. Once she and Stephen were thinking of starting the company, she began noticing spas everywhere, seemingly on every corner, Margaret says. In Hungary many people at the age of 12 go to someone who performs a facial, which gives them expertise about their skin’s condition, Margaret adds. Also ‘facialists’ like those in Omorovicza’s Budapest spa have a minimum of three years schooling. “Here, it’s a more fundamental, sophisticated approach, not relegated by how much money you have to spend,” she says.

Omorovicza’s products aim to spread this health-conscious tradition around the world. “As Budapest is the official spa city, we draw on the wonderful traditions of spa therapy in our treatments and customer service with a mix of innovation and a very contemporary, personal take on luxury,” Margaret says. And while Margaret doesn’t presume that Hungarians would learn anything from her company, “It would be wonderful if a young person might hear about our company and be inspired to look around and see all the amazing, natural treasures that are in front of us all here and create something,” she says. ★



“We are focusing on improving our spa distribution channel.”



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Crisis, what crisis?

AUSTRIAN BUSINESS LEADERS OPTIMISTIC FOR THE MEDIUM TERM

The global economic slowdown is having an impact on Central and Eastern Europe. But, while some countries such as Ukraine and Hungary may suffer more severely than others, the region as a whole remains on course for growth in the medium term, a group of leading Austrian business leaders with strong interests in the region insisted last month. Their advice: batten down the hatches, cut costs, and prepare for the upturn.

BY KESTER EDDY

THE NEWS FROM CEE appears grim. Reports from Riga to Rijeka note reduced economic output, declining currencies, tougher credit conditions, and rising workplace redundancies. Yet, despite the seemingly all-pervasive gloom, Manfred Wimmer, chief financial officer for Erste Bank, is surprisingly – some might say stubbornly – optimistic.

“CEE, which is our core market, is seen by many analysts, rating agencies, and many journalists as being a particularly endangered region. This general perception is something we just do not share,” he said. Wimmer, one of four captains of Austrian industry at a

recent conference for regional media in Vienna, was quick to spell out his arguments.

CATCH-UP PROCESS

“ONE REASON WHY we don’t share this perception is that the vulnerability of an economy depends, to a large extent, on the levels of leverage present. In this respect, all the CEE countries are much less leveraged than any of the developed economies that are suffering in the current crisis,” Wimmer said. Furthermore, the region is still in a catch-up process, so it is under-penetrated, not only in terms of banking services, but also in all respects, including consumption and investment. Because overall business costs are still lower than in Western Europe, the region remains competitive, and the catch-up process, though weakened, will still continue, he insisted.

True, the Austrian banker admitted that the business environment had deteriorated. Yes, there was a loss of trust in the banking institutions. Yes, the flow of liquidity in the financial sectors had “more or less come” to a standstill. And yes, tighter capital requirements and increased risk awareness criteria meant what capital there is will be harder to come by and will be more expensive. But Erste Bank, unlike some US and UK institutions, had not risked extending risky mortgages to first-time home buyers (see box), or become embroiled in the use of complex financial instruments that had undone former great institutions elsewhere, he stressed. “We have also been hit by these factors, but at much-reduced intensity. Erste Bank is a savings bank; we focus on small, normal people, and SMEs. Our loans-to-deposits ratio is about 120%; so to a large extent, we can fund our lending book from our customers’ deposits,” he said.



CEE countries:
less leveraged
and still in
catch-up mode.



“I can’t see any reason for leaving these markets.”

PETER HAGEN

RISK AWARENESS

ALL IS SOUND in business practices then, with little to fear. But in a time of growing unemployment and reduced disposable income, wouldn’t the insurance sector surely feel the pinch? On the contrary, said Peter Hagen, senior executive at the Vienna Insurance Group (VIG). “We’ve lived through some crises. In the Czech Republic, industrial production declined at the end of the 1990s, yet insurance premiums were growing. We were surprised ourselves; when we checked, it was very simple. Normal people, as you say, increasingly had a car, and they continued to buy car insurance,” he said.

Indeed, a crisis strengthens people’s awareness of risk. “They want to protect their homes. They don’t want to lose what they’ve got. And the average household insurance costs about €80 in CEE, so it’s affordable,” he said. Hagen even sees the increasing layoffs in a positive light. “Growing unemployment is very often seen as a problem, but for us, this is a big opportunity to recruit for our sales force. Our success, right from the beginning, has been based on always going for the largest distribution network that we could have,” he said.

But would, or could, Wolfgang Rutenstorfer, chief executive of OMV, the Austrian oil and gas group, be similarly positive about the region – particularly with oil at \$50 a barrel, its lowest price for some years? Yes, the lower oil price had reduced margins, hitting the cash flow. And with credit tight, OMV was cutting back on its investment program “from over €3 billion to something less than €3 billion. So growth will be lower than over the last couple of years,” he said. But he too cited that indicators, like car ownership, were still well down on Western levels and set to continue growing. “We are still seeing growth in auto fuels in CEE.”

Perhaps overcome by such a barrage of positivity about the region, one Croatian journalist asked how long companies could keep going “in safe mode,” with a recession in Western Europe, before they have to downsize? “Indefinitely,” said Rutenstorfer. “We are confident in the long term,” added Willy Van Riet, CFO of Austrian brick manufacturer Wienerberger. “I can’t see any reason

for leaving these markets,” said Hagen. But all of their points were trumped by Wimmer. “Even if these economies don’t grow for a couple of years, people will want banking services. Hungary has had extremely low growth rates recently, yet Erste Bank’s business has grown by 20 to 25%,” he said. ★

THE HOUSING MARKET IN CEE

A house is a house, you might think, whether in Baltimore or Bratislava. Not so, says Willy Van Riet, CFO of Austrian brick manufacturer Wienerberger. Van Riet should know – Wienerberger, despite relatively humble origins, is now the world’s biggest supplier of bricks, with CEE making up some 40% of its €2.5 billion global revenues. So what’s the difference? “The Anglo-Saxon markets are driven by large building companies that build thousands of houses and are quoted on the stock market. But the CEE market is based upon self-built houses, that means individuals who build for themselves, based on personal income,” he says. Moreover, Anglo-Saxons typically build a house focusing on its sale value, making it a speculative industry. “They ask, when can I sell it? It’s equity to them. People in CEE build for themselves, as a home for generations. These are totally different markets, because here people want quality products. Even now, markets are slowing, but we see an increase in demand for quality products,” he says. So while the downturn is affecting the housing market, the future for homes in the region remains bright, Van Riet argues. “These markets have only been developing for the past few years. For example, in Romania you have an annual build rate of one new unit per 1,000 inhabitants. This compares to around five in Western Europe. If you look at all the housing markets around CEE, there is still huge pent-up demand,” he says.

Smaller stores more attractive

BUT INDEPENDENT RETAILERS ARE LOSING OUT

With the arrival of international retailers such as Auchan, Cora, Tesco, and Spar in the 1990s, and the subsequent explosion of big-box stores, the face of the Hungarian retail sector has been changed forever. Who are the winners and who are the losers in this dramatic redrawing of the sector?

BY KESTER EDDY

THE TELEVISION scenes of eager shoppers hugging armfuls of electronic consumer goods at Hungarian stores before Christmas might, to the casual observer, indicate a boom time for retail outlets. Alas, the final figures, certainly for the food and FMCG (Fast-Moving Consumer Goods) products, are likely to reveal a stagnating market at best, worth about Ft 2,800 billion.

Retail trade volumes for the first 11 months were down about 1.8% in 2008, with a monthly drop in November of 2.8% compared with a year earlier, according to data from the Central Statistical Office. "Some retail outlets were speaking of a good December, so we are looking forward to the data, but expect, at maximum, a figure only in line with inflation," says János Kui, of GfK Hungária, a market research company.

TRENDS OF THE PAST

IF ANYTHING, any retail contraction is likely to accelerate the trends of the past decade or so, with an increasing proportion of shopping moving out of the independent stores, towards an ever-smaller number of big retailers and franchise chain associations, such as CBA and Real Hungaria. "We see 1996 as the real start of the

modern retail sector in Hungary, with the arrival of the first big retailers. Since then, according to our figures, the hypermarkets have taken 23% of the total market, and that could become 28% in five years time," says Ákos Kozák, managing director of GfK Hungária.

GfK estimates supermarkets hold about 17%, discount stores 18%, and "other" – pharmacies, cash-and-carry and petrol station outlets – about 14%. Meanwhile, the share of small retailers (including chains such as Coop and CBA) has slipped from about 32% five years ago to 28% today. Not such a huge change, except that within this figure, the number of fully independent stores has declined dramatically.

"There is no doubt that the small, independent stores are the losers in this sector. Every year they lose 200-300 units. Even in 2000, they had 28% of the market. That's now down to about 15%, and likely to drop further," says Péter Feiner, president of OKS, the Hungarian Trade Association, and managing director of Spar Hungary. The competition will certainly remain intense. Spar, which took over the Plus discount chain last year and is busy upgrading these outlets, is set to expand despite the economic downturn. "We have been opening 10-15 new stores every year and will carry on doing that," says Feiner.

NEW TREND

TESCO, THE MARKET leader with sales of Ft 550 billion in 2007, is also continuing its frenzied expansion, opening 28 new stores in 2008 and planning for a further 35 this year, says John Scouler, commercial

Hungary is in the midrange in terms of concentration.



director of Tesco in Hungary. Intriguingly, Tesco has found that in an economic downturn, the smaller stores (including supermarkets) become more attractive to a public watching the purse strings. "People have been less keen to get into the car; they've told us they want to avoid the hypermarkets to control their spending," says Scouler.

Hence the latest Tesco plans include "fill-in" supermarkets of 1,000 sqm at selected locations in big cities and small towns. In addition, the UK operator has begun a thrust into previously uncharted territory – at least for this region – of the smaller convenience store under the 'Tesco Express' label, representing a new challenge to the smaller outlets. "These are 'top-up' stores, rather than where you do your weekly shopping, with a restricted range of items, fresh fruit, and vegetables, more ready-made meals, sandwiches, soft drinks, and a core range of groceries like sugars and oils that people need every day. They hold a range of about 2,000 lines, versus the traditional supermarket with 40,000," says Scouler. After a "very successful" seven-month trial in Szeged last year, Tesco opened its second outlet in Budapest's District II in October, with the promise of more to come. "We have ambitious plans for Tesco Express," he says.

RELATIVELY OPEN

YET IN SPITE of the rapid development of the market in the past dozen years, Spar's takeover of Plus and the militant farmers' complaints of excessive muscle by the big boys (see box), the Hungarian retail market remains relatively open, says GfK's Kozák. "The sector here, based on the market share of the largest five retailers, puts Hungary in the midrange in terms of concentration. It's less consolidated than, say, the Czech market, so we're still waiting for real consolidation, perhaps in another two to three years," he says.

According to Spar's Feiner, as the retailers battle for customers with a bewildering array of new lines, special offers, and discounts, the ultimate winner in what is perhaps Hungary's best example of free-market competition, both in terms of price and choice, is the consumer. ★

BIG RETAILERS FACE FARMER PROTESTS

In addition to the economic slowdown, the big retailers faced some angry farmers' groups in 2008, with scenes in the summer of activists dumping watermelons outside hypermarkets of Auchan, the French-owned company. The protests were directed against what the farmers allege was a policy of selling melons at below-market rates in order to lure customers to the stores, who would then buy higher-margin goods. And though the farmers were placated, there remains a continual undercurrent of complaints from the countryside that the hypermarket chains are exploiting their strength to unfairly depress prices and put farmers on the breadline.

"All political forces like to kick the retail sector. It's easy to say 'these bloody retailers.' Some farmers, who may not be so successful, have only to march to the agricultural ministry shouting we have cheated them, and we are called in for talks. We feel like the [scapegoat]," says Péter Feiner of OKSsz. As an association, OKSsz does not like intervening in specific bilateral disputes. "We try to defend our members, but I do not know the facts; I can't see the invoices. I think our main job is to work for the interests of the whole sector. I tell the ministry that our businesses support 500,000 people, we create workplaces, and pay our taxes," says Feiner.

In addition, the growth of the modern retail sector, including the associated, efficient logistics system, has been a "significant factor" in reducing the price of food and household items in real terms in the past decade, he stresses. "I'd say inflation has been 'normal' thanks to strong competition in the retail sector," he says. The headline-grabbing statements made by politicians against the big chains may also mask another area where the retail sector is in alliance with government interests. "Our association sees as its second priority the fight against the black-gray market, which we estimate to be 15-20% of the whole, especially in textiles, and smuggled tobacco, and alcohol goods," he says.



Third parties need more protection

STRIKE
LEGISLATION
SHOULD
BE UPDATED

Strike legislation in Hungary needs to be updated on several points – the duty of employers and trade unions to guarantee a minimum level of essential services during strikes being the first one on the list, says Dr. Csilla Kollonay-Lehoczky, professor of law and specialist in strike legislation at Central European University (CEU). According to Kollonay, passengers would have stood a fair chance to claim damages from MÁV and/or the union if they would have gone to court during the railway strikes.

BY HENK HIRS

CURRENTLY, HUNGARIAN legislation stipulates that parties have to guarantee a minimum level of service to the public during strikes. But that is a shared responsibility between employer and employees or trade unions, and as long as parties negotiate about it, even if they do not reach an agreement, the strike in itself is still lawful. This is exactly what was happening during the railway strike. “The law is definitely too loose on this,” Kollonay says.

Strikers want to target their employer, but in the case of public services, it is the public – the passengers who are the consumers of the services – that bears a share of the pain. “Legislation should be updated to put more pressure on the parties to the dispute to reach agreement, and to protect third parties and the interest of the public better,” she argues. At the same time, she adds, MÁV directors and the transport minister did not seem to have the interest of the

public too much at heart, either. Why else, she asks, have directors stated repeatedly that the strike cannot hurt MÁV, however long it takes? And why else does the minister refuse to get involved in negotiations, even though he is clearly responsible for the railway company’s finances?

As a former practicing lawyer, she is also surprised that in the case of the railway strikes no one has started any litigation procedure. “Parties clearly failed to guarantee a minimal level of services, as law compels them. Private individuals, supported by, for example, consumer organizations, might rightfully claim damages under the Civil Code, because it is unlawful not to deliver these minimal services. Case law like this is not developed in Hungary, and probably no one has tried also, because it sounds so complicated and might take years. But a case like that could be an incentive to employers and employees to engage in more serious negotiation.”



“Private individuals... might rightfully claim damages under the Civil Code.”

OTHER QUESTIONS

ON THE OTHER HAND, in the case of the airport strikes, the owner of Ferihegy also seems to go against the spirit of the law when employing foreign workers to replace striking employees, Kollonay says. When there is a strike, legislation allows employers to regroup those workers that are not striking. But although the law is silent on the question of whether an employer may hire new permanent employees into their service, “it explicitly prohibits hiring temporary workers with the help of agencies, and what happens at Ferihegy very much looks like that.”

Another question that popped up regularly during the railway strike is whether it is right that a union like VDSzSz, which only represents a small minority of workers at MÁV, has the right to call a strike that cripples the entire company? But Kollonay is adamant on this point: “The law explicitly recognizes the right to strike of minority unions. This might create trap situations, but it is necessary and in compliance with the international duties of the country and should not be restricted.”

Current legislation dates back to the end of the 1980s, when a chaotic change took place from a situation with a monopolistic communist trade union to a model with many competing trade unions small and big, and many of them politically aligned. In those days, Hungary adopted one of the most broad and open strike legislations, says Kollonay, allowing not only unions but also workers the right to strike in order to protect their social and economic interests. This may seem too broad; however, this is in line with the obligations of Hungary under the relevant international conventions.

The main exception in this respect is the right to strike for public servants, which Hungary curtails too strictly according to international European standards, Kollonay says. On the other hand, some other European countries may be in violation of those standards by only allowing registered trade unions to launch a strike, and Germany even limits the right to strike to disputes with the aim of concluding collective labor agreements.

NO CHANGE

OVER THE PAST 18 YEARS, except for some minor adaptations, Hungarian strike legislation didn't really change. Hungary has a continental judicial system, and courts and judges do not have the force of precedence, as in the Anglo-Saxon judicial system where the interpretation and implementation of laws is permanently adjusted based upon court rulings. In Hungary, any update of legislation has to be enacted by Parliament. So even though every now and then politicians also call for an update of strike legislation, as did Prime Minister Ferenc Gyurcsány last December, there is little hope that something will actually happen, Kollonay says. “According to the constitution, such changes can only be made by a 2/3 majority in Parliament, which is not likely in the present political climate.”

It wouldn't be a problem if there was a culture of negotiation in society, she emphasizes. “Some things can never be solved through laws and courts, but need a certain level of cooperation and the willingness to solve disputes. A strike should be a weapon of last resort, where the interest of the parties concerned, and third parties, and the public in general, are differentiated and weighed against each other.” ★

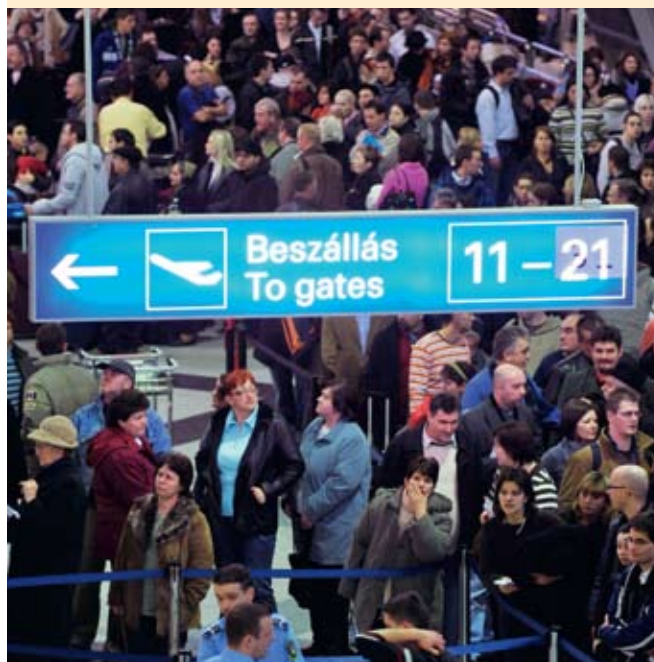
STRIKES

On January 21, two unions representing ground and security personnel at Budapest Ferihegy International Airport suspended a strike, which they had started two days before, and which in itself was the restart of a strike between December 10 and 22. Unions demand that the airport discontinue its restructuring program, preserve its workforce at present strength, and sign a new collective contract. Passenger traffic was nevertheless proceeding, though sometimes with some delays, because the airport reorganized its security procedures (including closing Ferihegy 1) and employed a few dozen foreign security staff (of Greek and other nationalities).

The small Free Union of Railway Workers (VDSzSz) restarted its strike, originally started earlier in 2008, on December 14, paralyzing railway traffic throughout Hungary for another ten days. The union demands that MÁV employees receive Ft 250,000 each (a combined Ft 8 billion), from the Ft 102.5 billion in revenue generated from the sale of MÁV Cargo, and a regular pay raise of 7%. The strike was suspended again when, just before Christmas, MÁV management reached an agreement on wages and signed a collective contract with six of the company's unions, as well as an agreement on a 4.1% pay raise in 2009 with five unions. VDSzSz declined to sign the wage agreement.

A strike of public sector workers on January 12 was averted when the government and unions reached an agreement on compensation for suspended annual bonuses, part of the government's austerity measures. Monthly bonuses will not be suspended entirely, but capped at Ft 15,000 a month maximum.

BKV trade unions called off a half-day strike planned for December 18, after the government said it will provide the Budapest Public Transportation Company (BKV) with a Ft 10 billion supplementary subsidy. But new strikes may be called because of a conflict about the breakup of BKV into separate companies.



The end of job-hopping

LEANER YEARS AHEAD
FOR TOP MANAGERS

Judging by the top executive managers' job market, the global economical crisis commenced several months before some of the world's largest banks started tumbling down, says Roger Swinburn, managing partner of executive search company Boyden Hungary. "There was a period last year when the forint became very strong. At that point, the first international companies started to ask for younger, less experienced people in order to save money."

BY RUNA HELLINGA

WHEN COMPANIES have to diminish production because of the recession, lower- and middle-level employees generally are the first to feel the full brunt. In the last few months, thousands of Hungarians have lost their jobs as a result of layoffs. "But as long as companies don't close, just shrink, the positions of top managers are relatively safe. So on the executive level, there have been relatively few dismissals until now," says László Tóth, director of the Hungarian subsidiary of Transearch International.

However, the crisis puts pressure on top-level employees as well, he adds: "There used to be a time when demand for top managers was huge, and there were relatively few candidates, so mediocre managers also stood a chance. But as companies are

getting more cost-conscious, they also become more critical of managerial competencies." As a growing number of companies are confronted with the need to save money, business is also getting tougher for executive search companies. As one headhunter puts it: "Until half a year ago, we had to work hard to get all the work done that came to us; now, we have to work hard to make sure we have enough work."

PROJECTS CANCELED

"IN THE LAST FEW MONTHS, two of our projects were cancelled because our clients were told by their overseas headquarters to freeze staff hiring," says Tóth. And even if companies are looking

A growing number of companies prefer a Hungarian candidate.



“In times like this, starting somewhere else always is a risk.”



for staff, it happens more often that they opt for an ad in the paper instead of hiring an expensive executive search firm. Swinburn recognizes the trend. He notices that some of his competitors have got into trouble and are laying off staff. He sees it as an opportunity, and, in contrast to the tide, Boyden Hungary is happily recruiting new staff. “At present, there are some very good people out there who are looking for a job, and they bring their own contacts and clients with them. I’m convinced that even in a bad market, there is always work for people who know how to do their work.”

In Hungary, executive search firms are mainly used by large international companies that seek candidates for top positions. Until recently, many of these positions were held by expat managers, but Swinburn sees a definite shift. Expats are expensive. They expect a large company-paid house and to send their kids to costly international schools, letting their employer fork out for the bill. Such perks are likely to become less generous. Flying business-class is no longer something expat managers can take for granted, and companies have started questioning school bills as well.

CHEAPER

BUT STILL, LOCAL MANAGERS are generally cheaper, and they have the added advantage that they know the language and the country. Therefore, a growing number of companies prefer a Hungarian candidate once a top position becomes free, Swinburn says. On the other hand, he doesn’t expect that expats will be fired: “Generally, it is very expensive to dismiss top-level executives, so companies wait until an expat manager returns home before they replace him with a Hungarian.” It is not the first time there is a shift from expats to local managers, Swinburn adds. In the ‘90s, many international companies also hired local executive staff, in many cases only to replace them again some years later with a new expat.

But he is confident that will not happen again. “At that time, it was simply too early to switch to local people, as there were hardly Hungarians who were really qualified. Everybody with a knowledge of English and a university degree in his pocket could get a position as a manager, but those people were completely inexperienced. Now, there are more people available, although still by far not as

many as in Western Europe, where there are good people up to the age of 60 and above. You have to remember that here the whole generation above 50 actually doesn’t count. They grew up under communism and still carry the habits of that time. So the choice is still limited, but there are good people available.”

LACKING SKILLS

TÓTH AGREES that the choice is still limited, but he mentions other reasons for that problem. According to him, many Hungarian managers still lack the necessary skills, certainly if it comes to language knowledge. “It may be surprising 18 years after the political changes, but it is still difficult to find people who speak really good English and who, for instance, are able to negotiate in that language with a foreign partner,” Tóth says. Also, he notices that Hungarian candidates often are not flexible enough: “Many people are not willing to take on an international assignment or work abroad for awhile. If you want to rise beyond a certain level, such flexibility is simply a basic requirement.” Besides, he notices a growing reluctance of Hungarian managers to work for international companies: “They are disappointed at the slow decision making process within those corporations, the fact that real decisions are taken in headquarters abroad, and the lack of real power of local executive managers.”

Whatever the reason, the fact is the pool of top-level Hungarian executive managers is limited, and the economic crisis has restricted the supply even more. Both Tóth and Swinburn notice an increasing lack of enthusiasm for candidates to change jobs. Job-hopping used to be popular amongst young professionals a couple of years ago, but at present it is a hard job to tempt them to leave their position for a new offer somewhere else. “And rightly so, of course. In times like this, starting somewhere else always is a risk,” says Swinburn. The problem is aggravated by the fact that companies generally offer less than they used to, says Tóth: “Local subsidiaries are under pressure from their overseas headquarters to limit costs, so salary increases are slowing down. Some companies set such strict maximums to what they are willing to pay that it makes it simply impossible to find good candidates.” ★

A uniform trading system

CENTRAL EUROPEAN
ALLIANCE OF STOCK EXCHANGES IN THE MAKING

The Budapest Stock Exchange (BSE) is a well-organized, sound operation, but as it is one of the smaller exchanges in Europe, it certainly will benefit from cooperation, says Mihály Patai, the new chairman of the board of directors of the BSE. Last year, the Budapest exchange became part of a Central European alliance with the Vienna, the Prague and the Ljubljana stock exchanges. “Although the BSE is a strong company, we probably would not have survived on our own in the long run. This alliance will give us more leverage and a bigger chance for growth.”

BY RUNA HELLINGA

THERE HAS BEEN TALK about closer cooperation between regional stock exchanges in CEE, especially those in Budapest, Prague, and Warsaw, ever since the ‘90s, but concrete steps were not taken for a long time. So when this new alliance was announced last year, many responded rather surprisedly. For those who have followed developments

around the BSE more closely, the cooperation should not have come as a revelation, says Patai. “Five years ago, 68% of the BSE shares were bought by several Austrian banks and the Vienna Stock Exchange (Wiener Börse). And when last year the Wiener Börse took over the shares of these banks, it became quite obvious that closer cooperation was just a matter of time.” As the Vienna Stock Exchange also has considerable interests in the Prague and Ljubljana exchanges, the formation of a Central European alliance was a logical next step.

INDEPENDENT

ALREADY IN 2000, the exchanges in Paris, Brussels, and Amsterdam formed a strong cooperation, called Euronext, in order to be able to compete on world level, while talks about cooperation and alliances between other exchanges in Europe, notably Frankfurt and London, but also Warsaw, have been on-and-off. Unlike Euronext, the exchanges involved in the Central European alliance will, for the time being, remain independent companies. “There are no plans for a regional merger. We are establishing a cooperation platform and we will work together on several levels,” Patai stresses.

At the level of communication and management, cooperation has already started, and according to the plans a new and uniform

“There are no plans for a regional merger.”



trading system will be introduced in all four exchanges within the next 18 to 24 months. "That is very timely planned for the BSE, because our trading system – although very good – is by now ten years old and up for renewal anyway," says Patai.

It also seems logical that, with the introduction of a uniform trading system, investors will be given the opportunity to trade on, for example, the BSE via any one of the other exchanges. But although that is definitely one of the ambitions of the alliance, it is not yet known when exactly such a joint trading floor will be introduced. "We are working on it, but at present, it is not yet clear whether that can become possible already with the introduction of the new trading system, or only later," says Patai.

But even without the immediate introduction of a joint trading floor, the advantages of cooperation are obvious, he adds. The alliance is eight to ten times the size of the BSE, and cooperation means significant cost savings. "For instance, we will coordinate purchase and maintenance of IT developments, which certainly saves money."

CRISIS

LIKE EVERY OTHER stock exchange in the world, the BSE has been severely hit by the global financial crisis. "At the end of the year, the BSE index had dropped 50% in comparison with January 2008," Patai says, "But that is in line with developments on stock exchanges globally. I don't think there is anybody here to blame: my predecessors and all colleagues did what they could and they didn't make mistakes, but these developments were simply unstoppable." Luckily, he notes, the drop of the BSE has caused only moderate problems for Hungarian institutional investors like pension funds, as they stepped into the stock market only recently. "Until three years ago, they were not allowed to invest more than 10% of their capital in risk investments, so their portfolio is rather limited, less than 30%."

But the drop has shattered the confidence of investors, Patai admits, especially smaller Hungarian ones for whom investing in shares was an entirely new experience. Over the last few months, daily turnover at the BSE was notably lower than before the crisis broke. Still, he regards this as a temporary setback. "The same thing has happened several times in the past, ever since stock exchanges existed. But like always, investors will eventually regain trust and come back again." While acknowledging the global downturn, Patai is not as pessimistic about economic developments as many others are. "For Europe as a whole, growth predictions are at present somewhere around minus 1.8%. The predictions for Hungary are at the same order of magnitude. This cannot be compared with what happened in 1990, 1991 and 1992, when our economy shrank by 20% a year. We learned how to regain momentum," he says.

JAPAN

"PERSONALLY, I DON'T THINK a zero growth figure or even a small shrinkage has to be as dramatic as many say," he continues, referring to the example of Japan, which has been hovering around a zero growth figure already for 15 years. "Sometimes growth is 1%, sometimes it is even negative. But you don't see a country which is beaten down by poverty. People consume, shops are full of products, companies develop new products, streets are cleaned and repaired, new houses are built. So I don't think a small negative growth is a big drama, as long as the foundation of an economy still functions, and I believe that is the case in Hungary. In that sense, this crisis is completely different from the dot-com crisis a couple of years ago. At that time, thousands of companies disappeared from the listings of stock exchanges because they had to close down. When a company closes, its entire knowledge and production capacity are completely lost. In the present crisis, that problem has not occurred yet."

Until now, Patai says, not one of the companies listed at the BSE had to close down. "You do see that they have problems with turnover and that they have to reorganize, limit production, or lay off people. But as long as the companies as such survive, their production capability remains intact and can be reactivated as soon as the economic situation warrants it. As long as this capability is there, I remain confident, because that is the necessary foundation for our economic recovery."

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The advantages of cooperation are obvious.

Academic excellence

FORMER
HARVARD
VP TO LEAD CEU

It is edifying that a former vice president of Harvard University prefers an appointment as president and rector of Central European University (CEU) to a high-profile job in the new Obama administration. It shows that CEU, since its foundation in 1991, has established itself firmly in the international academic world. "CEU students come from over 100 countries and its staff from more than 30. There is no other university in the world that can boast of such an international diversity," says John Shattuck, who is to become the university's fourth president and rector at the beginning of August.

BY RUNA HELLINGA

SHATTUCK, A HUMAN RIGHTS lawyer who graduated from the same university as President Obama – although several years earlier – started his career at the American Civil Liberties Union. He handled civil rights and civil liberties court cases, including those of people who were subject to illegal surveillance during the Nixon administration. He spent more than three decades in higher education, international diplomacy, foreign policy and human rights. During the Clinton administration, he played a major role in the establishment of the International Criminal Tribunals for Rwanda and the former Yugoslavia. As US ambassador to the Czech Republic, he advised the Czech government in overhauling the Czech legal system, and he supported the introduction of civic education programs in the country's schools and universities.



PART OF THE GLOBAL DEBATE

IN THE FIRST YEARS of its existence, CEU was mainly a Central European institution, which is reflected in the fact that presently at least ten leading politicians from the region have studied at this university. But over the past years, CEU has developed into an institution with global significance, says Shattuck, who hopes to make the university into a possible model for international education, which takes part in global debate and is a source of support for building open and democratic societies around the world.

CEU's relation with Hungary has always been mixed, as not everybody in the country cherishes the liberal views and global perspectives many of the institution's staff members propagate. But Hungary should be aware that the university is an asset to its image abroad, Shattuck stresses, adding that he has every confidence that his diplomatic background gives him the skills to maintain good relations with Hungarian society as well as with government and opposition. "The strength of CEU is that it is, on the one hand, such an international institute, while on the other hand, it is based in Budapest, a unique city with excellent connections to the rest of the region and the world. The CEU today is also a reflection of the fact that it is based here in Hungary."

★

FINANCIALLY SECURE

American-Hungarian billionaire George Soros established CEU in 1991 as a private university. Originally, it was supposed to be established in three different countries (Poland, Hungary and Romania), but – also as a sign of his devotion to his birth city – Soros eventually decided in favor of Budapest. Like any private institution, CEU depends on sponsors, but thanks to its founder, the basic financial situation of the university is sound, says Leon Botstein, who succeeded Soros as chairman of the CEU's board of trustees in 2007. "Because George Soros was one of the first in the world to predict the present-day financial crisis, he provided CEU with a generous endowment which is invested in such a way that we are in a secure financial situation."



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Taking consumer education seriously

ENERGY
PROVIDERS START
SAVING CAMPAIGNS

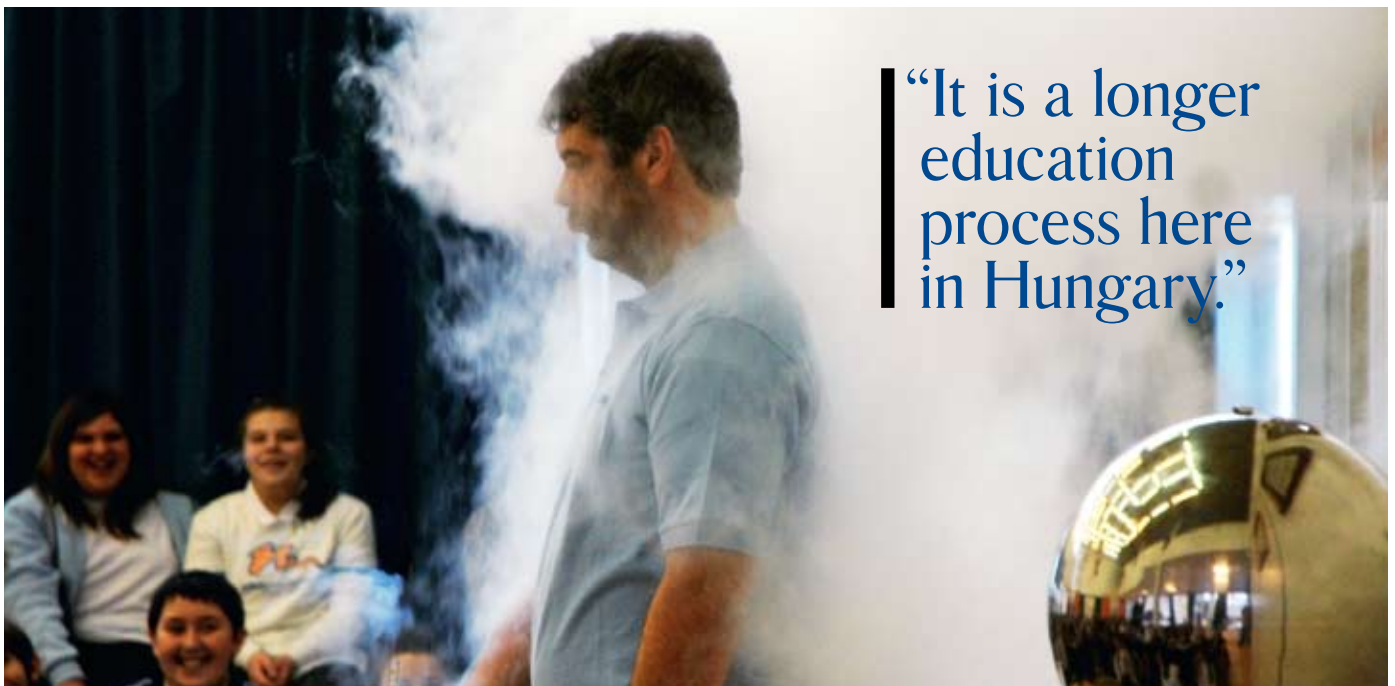
Fifth-graders and physics lessons generally do not mix – unless balloons, hard-boiled eggs, and liquid nitrogen are involved. This January, more than 200 students, fifth- to eighth-graders, flooded into the cafeteria at Eötvös Primary School in northern Pest to watch Fizibusz (Physibus), a traveling science show, which is a joint project by two electricity providers, to bring an energy conservation message to the public – even to Hungary’s youngest energy consumers.

BY AMY BROUILLETTE

PART COMEDY ROUTINE, part magic show, the presentation is far from a heavy-handed, doomsday lecture on disappearing global ice caps or the perils of non-recyclable plastics. Rather, it is an entertaining and educational program meant to get the younger generation thinking about physics, energy, and how “everyday things are connected to science,” as Pál Tóth, Fizibusz presenter, explains. Tóth, a local physics teacher, has taken his Fizibusz show to 280 schools across Hungary. His skill at captivating young minds is obvious – initially tentative, within five minutes students were entranced by Tóth’s show, clamoring to volunteer. “My motto is that science is not only important, but should be funny as well,” Tóth says.

ENERGY-SAVING CAMPAIGNS

LAUNCHED IN November 2007 by Budapest energy provider Elmű and northern Hungary electricity company Émász, the Fizibusz project is one of four energy-saving campaigns the companies offer aimed at decreasing Hungary’s dependence on imports and promoting green living. Elmű-Émász also offers a set of energy-smart programs for residents, businesses, schools, and municipalities, including energy audits and information on eco-friendly EU-certified appliances, says Zoltán Kövesdi, board member with Elmű. And the company targets “opinion makers,” offering politicians and municipal officials information on energy-saving techniques like



“It is a longer education process here in Hungary.”



better insulation, in hopes the message will be delivered to district residents.

Although Hungary's total energy consumption is lower than in most EU countries, it is three times higher per GDP than in Western Europe. The current recession has kept energy costs low, which has eased the economic burden of heating for consumers, but has done little to inspire conservation. Many public buildings in Hungary, for instance, from shopping centers, hypermarkets and offices, to schools, universities, government buildings, cultural institutions, and hospitals are heated in winter to a temperature of no less than 26 degrees Celsius. This is not only unhealthy, according to studies from the World Health Organization, but also extremely energy unfriendly and costly.

During the recent gas crisis, Budapest WestEnd City Center decided to turn down its heating to 20 degrees Celsius, thus cutting its gas consumption to no less than one third (from 150 m3 to 40-50 m3 per hour), general manager Péter Posch said. "The measure will stay, even when the gas crisis is over," he added. By March this year, WestEnd is planning technical changes and new software for its heating system, "allowing the center to better moderate temperatures according to the different needs of customers and staff."

With a majority of Hungary's total energy consumed by the population, consumer education has become a centerpiece in the effort to revolutionize the country's commitment to green energy. How quickly the conservation message

will catch on among Hungarian consumers is the question. While green living is more entrenched in Western Europe, "Hungarians enjoyed state-supported utilities too long," Kövesdi says, "So it is a longer education process here in Hungary."

IN THE CLASSROOMS

UNDER HUNGARY'S national energy plan, conservation and renewable energy issues are not only being incorporated into school activities via extracurricular programs like Fizibusz, but are beginning to be taught in physics and environmental science classrooms as well. According to Tóth, growing a generation of scientists who might lead the way in biomass and solar technologies is a primary goal of the Fizibusz school program. Tóth says that without the basic general knowledge in physics, chemistry, and biology, "Hungary's future generation will fall behind in the highly technical environment of the 21st century." He believes this is the most serious risk to Hungary's long-term energy sustainability.

Following the two-hour presentation, a small group of eighth-graders were asked if they learned anything about renewable energy and conservation. They answered as young teenagers would: "No." But when pressed about specific experiments, it was clear by their excitement that Tóth had accomplished his mission. The group agreed unanimously with one student who said: "We'd be happy if all our physics lessons were like that." ★

NOT JUST BUZZWORDS

The energy conservation program is part of a broader push toward energy security, competitiveness, and sustainability: three pillars of Hungary's national energy policy since the late 1990s. The effort has been reinvigorated since joining the EU in 2004, which has bound Hungary to a set of environmentally sound energy mandates required of all new and existing EU members. On this front, the EU has forged a set of ambitious energy targets to meet Kyoto goals: a 20% reduction of energy consumption and greenhouse gas emissions, and 20% increase in share of renewables by 2020. According to Hungary's 2006 National Energy Efficiency Action Plan (NEEAP), the country is obliged to reduce its energy use by 1% per year between 2008 and 2016 and by a total of 20% by 2020.

The new gas crisis, meanwhile, has only underscored the urgency of Hungary's and the EU's drive for energy independence, says Elmű's Kövesdi. "Green energy and sustainable development are more than just socially conscious buzzwords. It is a matter of energy security," he says. Around two-thirds of Hungary's energy is imported, according to recent Eurostat figures, and Gazprom supplies roughly 80% of imported oil and 66% of incoming natural gas via Ukraine.

To wean Hungary off Russian imports and to meet EU directives, Hungary's national energy plan involves upping domestic renewable energy production coupled with conservation initiatives such as modernizing residential and municipal buildings with energy-friendly heating and efficiency measures. Addressing the conservation end, the government since 2007 has offered series of incentives, including tax credits and 'soft' loans to residents and housing cooperatives for upgrades to existing buildings for replacing energy-costly boilers, lighting fixtures, and appliances. An estimated Ft 38 billion in EU development funds has been allotted for residential and municipal green-friendly renovation projects through 2016.

Looking for rapidly growing markets

The role of third countries with positive growth, even if much lower than in previous years, will be upgraded as the new EU members, including Hungary, will be more intensively looking for new markets in order to moderate economic downturn and keep exports alive.

BY ANDRÁS INOTAI, INSTITUTE FOR WORLD ECONOMICS

ALMOST FIVE YEARS after the historical big-bang accession to the EU, the trade development of the new member states (NMS) reveals several interesting features. Both intra-EU and extra-EU trade of the new members grew much stronger than that of the EU-27 average and, as expected, trade among the new members became a major driving force of growth and intensified production and service network-building.

But it was much less expected that the share of extra-EU exports of the new members would be generally increasing, in some cases in spectacular ways. At the same time, the opposite happened in imports, where the intra-EU share kept on rising, mainly generated by trade among the new members. Both trends contrast the overall development of the EU-27, which did not become more extra-EU oriented in exports (the share remained at 32%), while dependence on extra-EU imports grew from 34.5% to 37%, in part certainly due to the statistical impact of higher energy prices.

In absolute terms, Poland's extra-EU exports are the highest, representing more than one-fourth of the total extra-EU exports of the new members (including Bulgaria and Romania). Interestingly, Hungary ranks second, ahead of the Czech Republic.

There were several motives for the growing orientation towards non-EU markets. The most common seems to be that trade-creating effects of EU integration had been largely used up already well before accession, since free trade between the EU and the acceding countries became largely free some years before 2004. The dramatic increase of extra-EU share in exports of the Baltic countries was driven by the rediscovery of the Russian and other ex-Soviet markets, most of them characterized by high growth in the last years. Long traditions and networks available in protected markets is another explanation, particularly concerning Slovenian exports to ex-Yugoslav countries.

EU subsidies, mainly for agricultural exports, may have also contributed to extra-EU exports of some new members (first of all

of Poland). In addition, enhanced international competitiveness and market strategies of transnational companies located in selected new members can be considered as a major factor. Finally, some companies discovered these markets as a result of growing import competition from the EU after EU accession.

Although extra-EU exports grew more dynamic than extra-EU imports, most new member countries report substantial trade deficits in their extra-EU trade. This is partly due to the import of energy from non-EU sources, mainly from Russia. However, a large part of the deficit is explained by the impact of becoming an organic part of the global division of labor, as is clearly seen in Hungary's trade.

In the past, four major markets represented the pillars of extra-EU trade orientation, namely the ex-Soviet countries (particularly Russia), the US, China, and the Western Balkans, as they were either the main extra-EU markets, or those with the highest growth rate, or both. Hungary's exports occupies the second place in each of the above markets, following Poland (CIS-Russia and China), the Czech Republic (US) and Slovenia (Western Balkans).

It has to be noted that in 2008, the Czech Republic exported more to Russia than Hungary, but considering exports to the whole CIS area, Hungary's advantage still remained. In exports to the US, the Czech Republic, Hungary and Poland have almost similar export volumes. Until 2007, Hungary used to be the largest exporter to China among the new EU members, but it was overtaken by Poland in 2008. Concerning the Western Balkan region, Hungary's second place is undisputed. ★



Exports by some new member countries to their largest extra-EU markets (in millions of euro)

Growth of intra- and extra-EU trade, 2003-2007 (2003=100)

Direction of trade	EU-27	New member states
Intra-EU exports	140.9	224.3
Intra-EU imports	143.8	249.3
Extra-EU exports	140.5	262.9
Extra-EU imports	151.5	200.4

Source: Eurostat

Exporting country	Year	CIS (Russia)	USA	China	Western Balkans
Czech R.	2008*	4182 (2675)	1614	505	924
Hungary	2008*	4497 (2494)	1550	711	2696
Poland	2008*	11490 (5712)	1549	799	791
Slovakia	2008*	2527 (1701)	785	379	569

*January-November

Source: Eurostat



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The caricature of governance

The financial and economic crisis continues to deepen, but the crisis management measures invented by the Hungarian political class (regrouping EU support funds, increasing the state guarantee on bank deposits) proved to be insufficient in the last quarter. On top of that, the governing elite lack both a public concept, and the courage to finally launch the implementation of structural reforms that actually cannot suffer any more delay (i.e. tax reform and reconsideration of local governmental structures).

BY TAMÁS KERN, SZÁZADVÉG INSTITUTE

IF ANYTHING, the ever-deepening global crisis should at last invigorate decision-makers to come to their senses and realize that the strategy of short-term politics and focusing on mere political survival – a strategy that has been applied since the change of political regime (or perhaps for the last 60 years?) – has completely run out of fuel. But in addition to recognition and courage, this presupposes social credibility. The successful implementation of reforms that span several government terms is highly questionable without any support from society, but the government has been lacking this kind of support for quite some time now.

We should not deny that it was quite a political feat how the minority government of Ferenc Gyurcsány obtained majority support in Parliament for the 2009 budget. It appeared that this achievement can partly exonerate the prime minister from the moral and credibility-related burdens he has been involuntarily carrying since the “Őszöd speech,” even if it has become clear in the meantime that the key macroeconomic figures of the budget (the rate of negative growth or the projected rate of inflation) could not stand the test of time.

This is not tragic by itself, and it applies, even if several economic research institutes and the opposition parties did warn the government about this in advance in December. It is nevertheless disconcerting that all this comes as a surprise to the prime minister and his environment. It is tragic to see how the government lacked any plan(s) for a scenario in which the negative impact of the global crisis would undermine the fundamental budget figures.

What the government did in the first month of this year can only be described as the caricature of governance. Instead of giving a prompt reaction to the critical situation, it started to act precipitately – and not for the first time. An extraordinary session of Parliament was called for, where, in the hopes that it could buy some time, ministers worked as professional brainstorming units (VAT increase, reform of the family allowance, reduction of taxes and contributions). And after the long series of talks last autumn (i.e. National Summit, Economic Summit), Gyurcsány again launched repeated discussions with representatives of the business sector and social partners. Instead of responsible governance, the prime minister once again opted for playing for time, which cannot be justified by anything else than having no concept of political backing.

This is clearly supported by what happened during the parliamentary session on January 29. Measures were announced without any concrete details (substantial cuts in personal income tax and social security contributions, the elimination of the solidarity tax, grossing up and taxing of family allowances, and introduction of a standard property tax), and also without a deadline. At the end of the fourth month of the economic crisis, nobody in Hungary quite knows when the positive effects of these otherwise supporting measures can be perceived by the now-abandoned business sector. Notably, time is indeed money for any business.

★

Gyurcsány
once again
plays for time.

IT'S A COLD WIND THAT BLOWS...

With an icy wind blowing ominously from Russia and Ukraine across the the countries of Middle Central Europe and the Balkans, an even colder wind - a type of Gazdasági Mistral is - sweeping over the Carpathian Basin, making its presence felt in all quarters of the Hungarian economy!

Rarely does a day pass without Hungarian TV channels spelling out in graphic form, the increasing number of employees that have been made redundant, particularly amongst the Multinationals and larger Hungarian companies.

Of course, some of us who have been around for a while have seen this before – maybe not quite as severe - but certainly exhibiting the same symptoms. Irrespective of the rights and wrongs, the culprits and the victims, the fall guys and the lucky reprobates, there is one heck of a situation going down here!

It seems that the game plan for large companies is fairly well mapped out, even if the method of execution varies. Analyze your costs and reduce overheads (which usually means cuts in the number of people you employ). Tighten up the purse strings, cut back on expenses and bonuses, impose even tougher targets on sales personnel, and commence a program of rationalization by selling off or closing unprofitable operations (they can always be bought back later at a bargain price if the new buyer fails to turns the business around).

Such steps, if sufficiently tough and public enough, are warmly applauded by the banks, who, after much wrangling and cajoling, agree to provide a financial shelter until the better times arrive.

But what of the smaller businesses whose ability to manoeuvre is much more limited and where a call or letter from the bank can determine with the stroke of a pen whether the business has a future or not.

Fox Autorent is, by its very nature, a small company employing 35 people on a full - time basis to handle its fleet of approximately 400 cars in the winter and 600+ in the summer. The model on which the business is based is relatively simple. Buy cars at the lowest price possible; rent them out for as much as possible; sell them for as much as possible. But heyho! The model has suddenly and possibly irreversibly changed! Car importers are reluctant to order stocks of cars which they may not be able to sell. Car dealers are wringing their hands at the large number of used cars in their lots. Buyers are taking a more pragmatic view about the timing of their car replacement.

On the business side, leasing charges are oscillating wildly as currencies fluctuate, and the Hungarian government is reinforcing its tax structures for rental and leasing vehicles,

adding insult to injury. Suddenly, short-term rental has become a lot more attractive because of its flexibility for businesses who need to react quickly to business fluctuations. With only one phone call to Fox Autorent, the contract can be discontinued or the fleet extended at short notice..

So, the way forward for Fox Autorent is to review not only its costs, but also its strategies for the future. Currently we are undertaking a major review of the best ways to supply and price our services to attract new customers as well as retain our present clientele. This will determine the course of our future growth - providing we get it right! Decisions are made less by instincts and more by hard data, business planning and reorganization. We have to become more aggressive in the marketplace. Don't be surprised if you get a call from our Fox Autorent sales team to tell you about our new prices and services!

The cold wind will not blow forever, but as with any chill, those who suffer the least discomfort are the ones who wrap up warmly. At Fox Autorent, our coats are on, our attentions focused and our targets identified!

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News IN REVIEW

NABUCCO CONFERENCE

The European Commission proposed contributing €250 million to the realization of the Nabucco gas pipeline project, which would bring gas from Central Asia to Europe. At an international Nabucco summit in Budapest a few days earlier, Prime Minister Ferenc Gyurcsány said the EU should contribute €2 billion to the project, including €200 to €300 million for advance financing. The total construction is expected to cost €9 to €10 billion, according to the latest estimates. Also at the summit, European Investment Bank (EIB) chairman Philippe Maystadt said the bank was prepared to finance up to 25% of the cost of building the pipeline.

The 3,300 kilometer Nabucco pipeline would transport natural gas from the Caspian region via Bulgaria, Romania, and Hungary



to Austria and Western Europe, and would reduce Europe's dependency on Russian gas. Participants at the summit included presidents, prime ministers, and energy ministers from 12 countries, together with representatives of several international organizations. They approved the text of a declaration that says they will strive to create a transparent and cost-based delivery system along the entire length of the gas pipeline, encourage direct foreign investments in supply and transit countries, and press for the affected parties to create an efficient energy cooperation. ★

GAS PROBLEMS

Gas deliveries across Hungary's border with Ukraine restarted on January 20, after deliveries of Russian gas via Ukraine were halted on January 6 because of a price row between Moscow and Kiev. In Hungary, domestic demand was met with gas from commercial stores, domestic exploitation and imports from Austria. All in all, the effect of the crisis on Hungary was limited. Restrictions were placed on the biggest gas consumers for only a little more than a week, forcing some companies to scale back or even halt production, while others were able to use alternative fuels. But Hungary was still able to deliver gas to some of its neighbors, and it was not necessary to tap into the strategic reserve. Other countries, notably Bulgaria, Croatia, Serbia, and Bosnia, had more problems coping with the situation, leaving households without heat in a time of severe cold. ★



INVESTMENTS



The Hungarian Investment and Trade Development Agency (ITDH) helped organize direct foreign investments in the country of €1.55 billion in 2008, down from €2 billion in 2007, ITDH head György Rétfalvi said. Over the past months, several investment plans were announced for Hungary. Vodafone will set up a Ft 500 million regional customer service center in Miskolc, with a staff of more than 300, while printing company Lexmark opened a European services center in Budapest. Obo Bettermann plans to spend Ft 2.5 billion to build and equip two new production halls at its manufacturing base near Budapest this year, while Linamar will hire 184 new employees as the result of the company's Ft 5 billion capacity expansion and technology investment at its plants in Orosháza and Békéscsaba. New warehouses were opened by bicycle-maker Neuzer Kerékpárgyár (Esztergom), and steel company Dutrade (Miskolc), while Hungaro Berry broke ground for a Ft 800 million refrigerated warehouse in Simontornya. Finally, BudaWest Airport City plans to spend Ft 5 billion to convert an old air base in Szentkirályszabadja into a civilian airport. ★

TRIGRANIT HALVES INVESTMENTS



Hungary's TriGranit, the biggest property developer in Central and Eastern Europe, is halving its planned investments to €4 billion because of worsening financial conditions, the *Financial Times* reported, citing chairman Sándor Demján. "We had a pipeline of about €8 billion a year and a half ago, and we have now focused on about 50% of that and increased the pipeline's duration," Demján told the paper. "A year ago, we saw the liquidity squeeze coming, so we cut our projections," he added. TriGranit projects under way include high-end, multifunctional developments in Zagreb, Ljubljana, and St. Petersburg, as well as in secondary cities in Poland and Romania. TriGranit's investments in Hungary will be completed, though at a slower pace. ★



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FORINT TESTS 300 PER EURO

The forint tested 300 versus the euro on the last days of January. Analysts agree that the problem is not local, but regional, as in times of crisis investors tend to leave emerging markets for the US dollar, which is perceived as more safe. Prime Minister Ferenc Gyúresány called the development “disturbing,” and said Hungary will, probably by September, prepare “the fastest possible, but achievable and credible” euro zone accession plan. ★

LAYOFFS

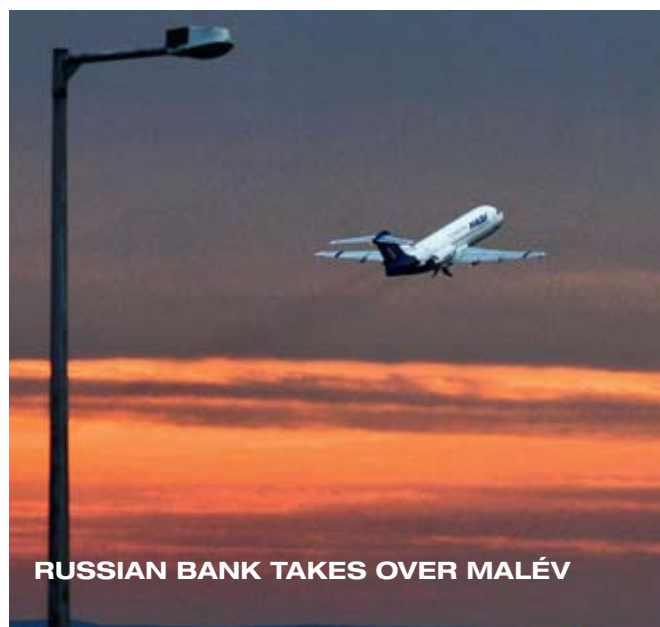
According to harmonized figures compiled by Eurostat, Hungary's unemployment rate was 8.3% in November 2008, compared to 7.4% in the EU-15 and 7.2% in the EU-27 during the month. But as most multinationals and large Hungarian companies laid off employees who they did not consider entirely necessary already last year, the major employers are only planning minor dismissals in 2009, according to a study conducted by economic research institute GKI and the Ministry of Social Affairs and Labor.

Over the past two months, four-day workweeks or temporary shutdowns were announced by Denso in Székesfehérvár, the engine and transmission plant of General Motors in Hungary, Audi Hungary, and General Electric (GE). Mass layoffs were announced by contract manufacturer Elcoteq in Hungary (1,150 workers), automotive parts company Delphi Hungary (250), logistics services provider Syncreon (400), German engineering company Bosch (250), and IT company Synergon (43).

Chinese electronics maker Hisense decided to completely shut down production at its LCD television plant in Hungary, laying off 88 people. Hisense's sales, financial, and maintenance center in Hungary will continue operation with a staff of 13. Belgian-owned lingerie maker Van de Velde is also shutting down its plant in Hungary, as will Taiwanese-owned mobile telephone industry supplier Perlos in Komárom, laying off 500 people. Finally, paper hygiene products company Forest-Papír canceled plans to build a plant near Budapest, choosing instead to rent. ★

ADVANCE PAYMENTS FOR EU PROJECTS

To ease the impact of the economic crisis, the Hungarian government aims to jump-start EU projects, the engine of the economy, in order to secure jobs and create new ones. According to a government resolution, EU development project leaders will be given 25% to 40% of the subsidies as advance payments to keep investment on schedule. By this measure, an additional amount of more than Ft 100 billion will stimulate Hungarian economy, starting with the construction sector. In cases of projects financed by the Structural and Cohesion Funds, the advance payment for enterprises is minimum 25% of the total subsidy. Investments of particular importance in the economic stimulus can receive up to 40% of the total subsidy without any value limit. ★



RUSSIAN BANK TAKES OVER MALÉV

Russia's state-owned Vnesheconombank will take over Hungarian national airline Malév and operate the airline in partnership with Russia's Aeroflot. The failure of Malév's principal indirect owner, Russian businessman Boris Abramovich, to meet the stipulations contained in the airline's privatization contract, made the takeover necessary. According to János Veres, Hungary's finance minister, the new arrangement will ensure that Malév will remain Hungary's national airline. ★



CAREFUL RATE CUTS

The Magyar Nemzeti Bank (MNB) wants to cut rates as fast as possible, because falling inflation and a recession warrant much lower rates, but rate cuts must not upset financial stability, Central Bank Governor András Simor told. “We can continue cutting rates only at a pace which, in our view, does not pose a threat to the stability of the banking system and capital flows.” The MNB's monetary council has cut rates a combined 150 basis points in three steps since it announced a 300 basis point extraordinary rate rise at the end of October. The rate rise was intended to make an attack on the forint more costly for speculative investors. ★

Yacht life

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CEE IN REVIEW

NUCLEAR REVIVAL

During the crisis between Russia and Ukraine on natural gas transport, Polish Prime Minister Donald Tusk said that his government will speed up plans to build two nuclear power plants. According to Tusk, nine locations are being taken into account, with Żarnowiec in the north as a prime location. Poland had earlier planned a nuclear plant in Żarnowiec, but those plans were abandoned in the early 1990s. (*Warsaw Voice*)

Slovakia might also relaunch the second nuclear reactor of Jaslovské Bohunice nuclear power plant (V2), even after natural gas supplies from Russia are resumed, Slovak Economy Minister Ľubomír Lichner said. The Slovak government had announced on January 10 that it was planning to resume operation of Bohunice V2 immediately, but three days later, this decision was postponed. The reactor was closed in 2004, as a precondition for Slovakia's EU membership. (*SKToday*)

Finally, in Bulgaria, calls for the restart of units three and four of the nuclear power plant in Kozloduy are growing, with President Georgi Parvanov no longer excluding the possibility of a referendum. Ever since their closure in 2006 as a precondition for Bulgaria's EU membership, the issue has been exploited by a

BOHUNICE



number of politicians. But a restart would need the support of all 27 EU member states, some of which staunchly oppose it. Only the European Commission can authorize a temporary restart if Bulgaria can prove a state of crisis. (*Sofia Echo*) ★

ROMANIA

The Romanian economy was booming during most of 2008, with a 7.9% growth over the year, but is expected to see growth of only 2.5% or less this year. On the other hand, the country's budget deficit may rise from 3.5% last year to over 6% in 2009. The new government of Liberal Democrats and the Social Democrats, appointed in December, embarked on a spending program, including a 45% pension increase, an increase in the minimum wage from 540 to 600 lei (\$208), a reduction of VAT for staple foods, infrastructure investments, and incentives for companies, but will now also need to cut on its expenses. (*BBW, Hotnews.ro*) ★

SLOVAKIA HAS THE EURO

The Slovak Republic entered the euro zone on January 1, accomplishing a process that started in 2005. Slovakia has become the 16th country to enter the zone, only the second among post-communist countries. Former Finance Minister Ivan Mikloš said that the process to introduce the Euro also helped promote the difficult reforms necessary for the country in order to meet the strict Maastricht criteria. Due to the currency change, ATM machines and petrol stations were shut down for some hours on New Year's night. The prices of the most-frequently purchased goods and services rose by 0.5% over the first ten days following the adoption, according to the Statistics Office's data. The Office monitors price developments in the run-up to euro adoption and beyond. (*Prague Monitor, SKToday*) ★



CZECH EU PRESIDENCY

The priorities and the work program of the Czech presidency of the EU are the three 'E's': Economy, Energy, and Europe in the world. The motto is a 'Europe without barriers'. Czech Prime Minister Mirek Topolánek, speaking in the European Parliament, presented a strong vision of where the EU should go and pledged to push its stalled institutional reform. He reiterated his view that the Lisbon Treaty is a "difficult compromise," but one that is worth accepting. He also said that building new oil and gas pipelines to diversify Europe's supplies and transport routes was "an issue of the highest priority." In the first weeks of their presidency, the Gaza war and the gas crisis were the two main topics the Czech government had to deal with. The Czech Euro-skepticism, embodied above all by president Václav Klaus, seems to be sidelined by Topolánek's Euro-realism. About two-thirds of Czechs now think their country should work more closely with the EU and 50% believe Klaus's opinions are hurting the image of the country. (*Prague Daily Monitor*) ★



Elegance Evolved

Onyx Restaurant sets new standards for Hungarian cuisine

Infusing 21st-century style and grace with the rich traditions of classic Hungarian gastronomy, Onyx Restaurant is already well-established among Budapest's premier gourmet eateries less than two years since opening, garnering many esteemed honors for its innovative haute cuisine served amid a refined and chic ambiance.

In January, Executive Chef Szabina Szulló proudly accepted Onyx's prize as one of Hungary's "Top 10 Restaurants" for 2008, presented at the regal Dining Guide Awards Gala held in the historic Gerbeaud House. Yet this is only the latest of several accolades recently earned by Onyx – Hungary's *Restaurant and Wine Guide 2008* declared Onyx among Budapest's best dozen eateries, and the *Népszabadság* "Top 100 Restaurants of 2008" magazine deemed Onyx as one of the five finest culinary destinations nationwide.

The restaurant's dedication to perfection is evident immediately upon entering – Onyx's hip neo-Baroque setting blends aesthetic influences from the past and future of interior design, combining high-backed chairs and crystal chandeliers with contemporary art and illuminated onyx-stone mantles. Presenting dishes and glassware of cutting-edge contemporary style, the professional and friendly multilingual waitstaff welcomes guests to enjoy uniquely delicious meals with visual flair.

Onyx's modern amenities extend to the kitchen, where the cooking team uses the latest advances in culinary technology to take Hungarian cuisine into the future. Led by Szulló and Sous Chef Tamás Széll (the winner of last year's



"Tradition and Evolution" chef championship), Onyx offers creative and rejuvenated versions of Hungary's beloved traditional dishes – such as the pink-roasted filet of venison with onion jam and pistachio noodles, or the Mangalica and suckling pig platter of roasted cheek, crispy leg mignon, and mini blood sausage served with hot potato salad.

And as a special Valentine's Day offer this month, Szulló and Széll created even more exceptional delicacies to be devoured by candlelight – a five-course menu includes marinated wild mushrooms with Mangalica ham and tarragon-seasoned chickpea mousse, and desserts like blueberry-beetroot sorbet – a perfect opportunity for couples to discover a renewed love for Hungary's finest tastes... and each other.



AFTERNOON DELIGHT

Providing their renowned modern Hungarian cuisine with both elegance and efficiency, the Onyx Lunch menu presents a sophisticated haven for mid-day meals that is remarkably inexpensive for the caliber of options offered. Guests choose from selections that change weekly with the freshest seasonal ingredients available – enjoy sophisticated starters like suckling-pig jelly with horseradish and toast, main courses such as roasted veal liver with apple compote and Roesti potatoes or chicken breast croquette with potato salad, and desserts including chocolate crêpes. Visitors can partake of two or three courses, and with mineral water, coffee, and service charge included, the bill is always less than 3,000 forints.

Scary masks

KEEPING PAGAN TRADITIONS IN MOHÁCS

The workshop where Antal Englert carves his *busó* carnival masks is well hidden behind some communist apartment buildings in Mohács. The neighborhood is a bit drab, but the wooden door in the wall surrounding his property opens to a completely different kind of world: a rambling, overgrown garden decorated with pottery and wood carvings, and devilish-looking masks on the walls of the shack where Englert practices his handicraft.

BY RUNA HELLINGA

BUSÓ MASKS ARE the hallmark of Mohács, where every February men dress up for the traditional busójárás (carnivals parade), wearing masks, sheepskin cloaks, and hay-stuffed trousers. They parade through town accompanied by a lot of noise and a lot of booze. According to modern folklore, they commemorate the battle against the Turks in 1687, when dressed-up men scared the superstitious Turkish soldiers away. But that is nonsense, according to Englert, one of the four remaining professional busó carvers in Mohács.

FREEDOM

“THAT STORY IS COMPLETELY MADE UP. The busó mask is much older. It is a pre-Christian tradition from the Southern Slavic region, which came to Mohács with the Sokác, Croats who settled in the region,” he says. Serious historians agree: the Turkish myth is impossible, since the Sokác arrived in the region only ten years after the Turkish defeat. Croatia and Slovenia have similar traditions, but while in those regions they use masks of human and animal figures, the busó in Mohács have exclusively human faces.

While the present-day busójárás is a loud, merry and mainly innocent event, there was nothing innocent about the original pagan festivities that were held at the beginning of spring to chase the bad spirits of winter away, says Englert. “There was a lot of superstition involved, as well as sorcery and violence. In the very beginning, it probably even was a secret, magical ritual that excluded non-initiated people.” The busó costume gave its bearer complete protection against recognition, as the mask was not taken off during the three days the festivities lasted. Participants didn’t speak, but only gestured or grunted to keep their identity hidden, and they didn’t go home either. Within the obvious limits of a very hot and cumbersome costume, they had the freedom to do whatever pleased them, be it rape, theft, or even murder.

As the festivities served the good purpose of chasing away winter, people accepted the fact that the busójárás demanded sacrifices. “But it was, of course, vital that those under the masks really remained unknown. Even if people accepted bad behavior as part of the deal, they probably were less tolerant if they found out it was their own dressed-up neighbor who had raped their daughter,” says Englert.

A pre-Christian tradition from the Balkans.



“Wearing
a mask
changes
a person.”



Englert doesn't just carve masks, but takes part in the yearly busójárás as well, so he knows all about the corrupting power of the costume. “Even nowadays, people accept quite a lot from those who dress up. And wearing a mask changes a person,” he says. “Every man harbors a sinful side within himself. If your sinful behavior is accepted without questioning because you wear a mask, it gives a good feeling, and you become a stronger man.” That is not unique to the busó masks, he adds: “Everywhere in the world, from Venice to Africa to Asia, masks are an excuse and a pretext to cross set borders.”

TOURIST ATTRACTION

OBVIOUSLY, THE CATHOLIC CHURCH was not very pleased with the pagan and brutal customs and prohibited the festivities. What saved the tradition was that the busó masks eventually became an integrated part of the Catholic carnival festivities. Until recently, the busójárás was an exclusive custom of the Slavic Sokác, but during communism, things changed, Englert says. “In the 1960s, the tradition was threatened to disappear completely. Then, the idea occurred that the Mohács carnival would be a good tourist attraction, and thus good for the development of the region. That was when authorities became involved in the organization.

“They called in a theater director from Pécs who developed the whole thing into a national affair. He also made a film, creating a lot of trouble as he ordered people what to wear and how to behave. As he needed a story line for his movie, he invented the Turkish myth. The whole busójárás became commercialized, especially the production of the masks. Originally, there never were masks with Turkish faces, for instance, and a lot of red was used for those commercial masks, which was uncommon before.”

Nevertheless, even though tourism and commerce do play an important role today, a lot of the old traditions were preserved, as well, and the Mohács busójárás is still a genuine local custom. Last year, 400 men from the town took part in the parade, and in a way, Englert feels the event has gathered new strength in recent years, as a growing number of people turn away from the present-day materialism. But what disappeared is the old tradition that every man carves his own mask. That is now the work of the few remaining carvers in town. This is a pity, Englert says, because a mask is a very personal thing. There are traditional designs, but the final result depends on the mood of the carver, combined with the structure of the willow wood that is used. “When I start on a mask, I don't really know what kind of face it will be. The grain of the wood, the gnarls and nodes, show you the soul of the mask that is hidden in the wood.” The back of the mask is equally important, for a more practical reason: it has to be cut to fit the face of the bearer.

Englert is not a full-time wood-carver, but when he works, his workshop is open to visitors, he says. He also teaches young people who want to learn the trade, and he has a pupil, a young boy who has a real gift and passion for the trade. But he doesn't sell his masks to tourists. “I sometimes exchange my masks with those of mask carvers elsewhere in the world. But real busó masks are a spiritual, not a commercial thing,” he says. ★

FEBRUARY 20-25

This year, the busójárás festival takes place from February 20-25, traditionally starting on a Friday and lasting until Ash Wednesday, the start of Lent, the yearly Catholic period of fasting and praying. But Mohács also has a small museum devoted to the masks and the festival: Mohácsi Busó Ház, Kossuth Lajos utca 54, phone +36 69 302-677, open Monday to Friday from 9am to 5pm, Saturday from 9am to noon.



András Török's Budapest

THE 125-YEAR-OLD OPERA HOUSE

THE NICEST PUBLIC BUILDING on Andrásy út, the Opera House, was completed after nine years of construction in 1884. Architect Miklós Ybl is said to have personally checked every cartload of bricks. Perhaps because of its nature, the huge building does not look as large as it is (except maybe when viewed from Gellért Hill). The stage door is on the right side, and the carriageway and entrance to the royal staircase are on the left. The auditorium seats 1,289 people. The last time that the building was lovingly restored was in 1984, its centennial.

Both inside and out, the building is decorated with hundreds of statues and paintings. In the niche to the right of the carriage entrance is a statue of Hungarian composer Ferenc Liszt, and to the left, one of Ferenc Erkel, the father of Hungarian opera. In the corner niches on the first floor are statues of the muses of opera (Terpsichore, Erato, Thalia, and Melpomene), and on the stone cornice of the terrace above the second-floor level are statues of famous international composers.

The huge 2,100 kg chandelier, manufactured in Mainz, is the only part of the Opera not made in Hungary. It is supported by two steel cables, and a manual capstan is still used to lower it to the level of the stalls. It takes 25 minutes to lower the chandelier completely, and 55 to lift it. It has 220 lights, but it used to have 500 gas flames and was originally hanging three meters lower because of the heat it produced. Originally, musicians

SOMETHING NEW: THE BACK OF PARIS DEPARTMENT STORE

There is nothing more intriguing than the combination of the old and the new. The conversion of Paris Department Store, a legendary commercial building on Andrásy út 39 built in 1911, is close to completion. On top of it, and at the back, something wildly different has been added: a café, perhaps?



used candles to light their scores, and they were given “candle money.” When, do you think, this perk was discontinued? With the introduction of electricity in 1895? Wrong answer – it was as late as 1929.

The Opera House quickly became one of the leading musical centers of Europe. Gustav Mahler was the director for three seasons, and he personally directed two Puccini operas. Otto Klemperer was briefly director after World War II. Today, the Opera House has a repertoire of more than 50 operas, which it claims is more than any other company in the world does. Present music director Ádám Fischer grew up in a building opposite the Opera. He studied in Vienna, and then worked abroad, at the

Metropolitan Orchestra in New York and in Bayreuth in Germany, amongst others. He could not resist the invitation to lead the Hungarian Opera House. The public had wanted Italian singer Cecilia Bartoli. Fischer said he could bring her here, but that general change for the better would be even more important. Balázs Kovalik, the alternative-minded chief director, is a good partner to help return the opera to the European scene.

There are nearly always some tickets still available on performance days, albeit for the worst seats. However, you should check the tickets. Some may include a note: “Warning! The stage cannot be seen from this seat.” Seats like that are all in the upper circle. The brave can attempt to go down and take better seats during the interval (although tickets may be checked). VI. Andrásy út 22, (+36.1)353 0170, www.opera.hu



SOMETHING OLD: PALLAS ATHENA AT CITY HALL

The statue, called *Pallas Athena, City Defender*, the work of Carlo Adami, was placed at the corner of the original Buda City Hall in 1761. He donated the statue in exchange for Buda citizenship. The building now houses Collegium Budapest, a prestigious research institution, and the statue there is a copy. The original is now in the Municipal City Hall in Pest. *Városház utca 9-11*

TOP BRANDS

the greatest brands in focus

BUSINESS SUPERBRANDS AND SUPERBRANDS 2008



Hungary's leading branding experts have selected the business and consumer Superbrands of 2008.

The Business Superbrands Committee and Superbrands Committee selected the best brands of this year. According to the international standards, the general public can learn about the very best and also the debuting new brands on the home page of Superbrands – www.superbrands.hu – after the Year of the Brands Gala at the end of the year.

The Superbrands Program 2008

The Superbrands program's main goal is to introduce the finest brands to the wider public and help brand-conscious decisions of consumers. The program launches a large-scale campaign to present Hungary's leading brands. The Superbrands Committee of 14 decided on which brands receive the "Superbrands 2008" title. Members of the body are independent, volunteer professionals, representing the fields of media science and marketing. Hungarian Superbrands enterprises are chosen from the database (PIPACS) of the Hungarian

Patent Office (HPO), including 95,000 national registrations. Superbrands Committee selects the Superbrands of the Year 2008 from a shortlist derived from the HPO database.

Business Superbrands 2008

The Business Superbrands program presents the very best of B2B brands, targeting not primarily the general public but companies and organizations. Business Superbrands titles are awarded by a committee of 14 acclaimed and renowned business experts. Our partner in the program was Dun & Bradstreet, who pre-selected the 3,000 companies from the 500,000 incorporated enterprises of Hungary that finally became the sample from which the committee could choose the first Business Superbrands.

GoodCSR 2008

The GoodCSR 2008 Program globally presents, for the first time, the brands with exceptional social responsibility policies. Brands participating in the program are selected according to top international methods.

BOB Bistro

A MAGNIFICENT AMERICAN-EUROPEAN MIX

WWW.DININGGUIDE.HU

DINING GUIDE

In the spacious hall of BOB Bistro, an American-style jazz restaurant, we are listening to subdued piano music while sitting in comfortable leather chairs set under gargantuan lamps.

BY GOURMANDE

THE ELEGANT SOUND OF JAZZ evokes the ambiance of an extravagant American club, as does the venue's menu. It is one page and lists favored dishes of Europe and America – including Hungarian beef stew. It is interesting that a daily soup is present, although no daily entrée is offered. We choose the French provincial pistachio pâté appetizer and the onion soup, which we also think will be French. The pâté is outstanding. It is the way it should be: dense, with plenty of various meats added, and loaded with green pistachios, thin bacon strips, and garnished with two giant leek stalks. It is a beauty. The sweet, spiced onion chutney is accompanied by thin, toasted brown bread slices, making it another great choice. However, the mixed pickle side dish, had we eaten it, would have overpowered the gentler tastes of the pâté and the chutney.

The onion soup is a surprise. Served in an elegant soup bowl, the off-white, smooth cream soup arrives with toast and goat

cheese. It tastes fine, and although it is missing the onion flavor, it is a perfectly harmonized, silky liquid with the aroma of white wine and nutmeg. The goat cheese on the two toast bites is reminiscent of the green-spiced Crème Bonjour.

We choose our entrée of sirloin steak served with sautéed sweetbread, Bordeaux sauce, and steamed parsnips from the menu's "unbeatable choices." The steak is made from Wagyu beef, which comes from special Japanese cattle that are massaged regularly and are fed beer. Their meat does not contain any tendons, and is soft, tender and perfect.

The entrée arrives in a characteristic iron frying pan, medium rare as requested. It is a veritably, large American portion. The rich, dark-colored sauce covers the meat evenly and comes with the sweetbread on top. The sirloin is so tender it could be mistaken by the average restaurant-goer for a tenderloin. The sweetbread is compact, not too greasy, slightly lemony on the inside, and lightly toasted on the outside. The sauce is of a perfect silky consistency that is neither sour nor too sweet. The grilled parsnips are an excellent idea for a side dish. Their neutral flavor does not overtake the enjoyment of the meat, but still provides some vegetables.

Our final choice is a *panna cotta* made from goat cheese and topped with honey, walnuts, dried figs, and fruit sauce. The panna cotta has the consistency of a jittery flan; its taste is subtle, milky, and not ruined by any of the fruit. The walnuts softened by the honey are simply divine, and the dried fig slice is not only beautiful, but unique as well. It is a light, tasty, pleasant dessert: a perfect coda for the powerful tastes of the meat entrées preceding it.

All in all, we had magnificent food in a magnificent environment, where American cuisine and European style create an excellent pair. ★

Dining Guide examines the quality and level of ingredients, technologies and creativity of the kitchen, ambiance, presentation, service, and the relation between enjoyability and price level, all according to professional standards. Based on these criteria, the restaurant is rated an average on a ten-point scale (see below left).

BOB BISTRO

1051 Budapest, Szt. István tér 6. T: (+36.1) 266 5248

Open: Sun–Wed: noon–midnight, Thu–Sat: noon–2am



Happenings

FEBRUARY/
MARCH

GUSTAVE MOREAU EXHIBIT

February 19–May 3

As the first Central European exhibition devoted entirely to 19th-century French painter Gustave Moreau, “A Land of Myths” takes viewers on an ethereal tour of the symbolist’s otherworldly imagery. The Parisian visionary developed an evocative style influential to many of his famous students, such as Albert Marquet, Georges Rouault, and Henri Matisse. In this temporary display, Moreau’s large works are paired with smaller paintings and sketches to offer a deep understanding of his talent, all showcased at the Museum of Fine Arts (Pest XIV, Heroes’ Square); visit www.mfab.hu for details. ★



BUDAPEST OPERA BALL

February 21, 8pm

This majestic gala recreates Europe’s luxurious carnival celebrations of the fin-de-siècle era, when high society attended elegant balls wearing only the finest attire, with world-class entertainment and gastronomy reigning supreme. True to its belle-époque roots, this month’s Opera Ball pulls all the sumptuous stops, with the program featuring opera singers, traditional Hungarian dance lessons, exquisite cuisine from Budapest’s famed Gundel restaurant, and waltzing into the night, all happening at the Opera House (Pest VI, Andrásy út 22); visit www.operabal.com for ticket info. ★

DVOŘÁK MARATHON

February 28,
10:30am–10pm

Inspired by Brahms and Wagner, 19th-century composer Antonín Dvořák created romantic compositions weaving American and Czech folk inspirations. This one-day multimedia marathon pays homage to this rhapsodic Bohemian with 11 orchestral performances of his works. The Budapest Festival Orchestra hosts this second-annual event, featuring the Budapest Philharmonic Orchestra, Pannon Philharmonic Orchestra, and Budapest Strings. Tickets can be purchased for individual concerts or the entire event, all held at the Palace of Arts (Pest IX, Komor Marcell sétány 1); see www.mupa.hu for information. ★



TRANZDANZ “RE-DNA” PREMIERE February 26, 27, 28; 8pm

Combining elements of traditional Hungarian folk-dance routines with modern movement artistry, Magyar choreographer Péter Kovács Gerzson and his TranzDanz company have occupied the forefront of regional contemporary dance for two decades, creating intriguing performances popular in London and France. This new piece examines today’s society with a critical and stunning perspective – see the sinuous forward motion at the Trafó House of Contemporary Arts (Pest IX, Liliom u. 41); visit www.trafo.hu to book seats. ★

Super Bowl XLIII at T.G.I. Friday's

OVER 100 AMERICAN football fans packed T.G.I. Friday's Oktogon on Sunday, February 1, to enjoy Super Bowl XLIII live from Tampa Bay, Florida. This is the fifth occasion that AmCham and T.G.I. Friday's have held the event, and as in the past it did not disappoint. Fans enjoyed the game on giant projector screens and were treated to an authentic all-you-can-eat Super Bowl buffet.

Even though the game only started at midnight, there was no lack of enthusiasm as supporters of both the Arizona Cardinals and the Pittsburgh Steelers cheered their teams on into the early hours of the morning. In the end, the Pittsburgh Steelers overwhelmed Super Bowl first-timer Cardinals to secure their sixth Super Bowl championship. ★



New AmCham service: One-on-One Sessions

AMCHAM IS PLEASED to announce the launch a series of new services under the umbrella "One-on-One Sessions". With these services AmCham aims to provide members with expert advice and support on a range of issues pertaining to doing business in Hungary.

Services under the "One-on-One Sessions" umbrella will be provided to AmCham member companies through cooperations with selected member companies that are leaders in their respective

fields. The first One-on-One Session, launched in cooperation with Magyar Pályázatkészítő Iroda/Hungarian Grant Agency (MAPI), will provide members with expert insight into effectively leveraging the subsidy/funding opportunities provided by the EU.

For more information about One-on-One Sessions, please contact Ms. Krisztina Bedő tel: (+36.1) 266 9880 ext. 319 or e-mail: krisztina.bedo@amcham.hu ★

CAFÉ MÍRÓ GRANDE: THE NEW STANDARD FOR GASTRONOMY

Originally opened during the summer of 2004, Café Míró Grande is situated on Liszt Ferenc Square, Budapest's hot spot for culinary experiences.

Since its opening Míró Grande has been dedicated to host new musical talents from the neighboring Liszt Ferenc Academy of Music. Our nightly live music features pianists, guitar players and jazz bands.

In 2008, Míró Grandew underwent major renovation, including a new interior and a 40m² open kitchen in the centre of the restaurant. This kitchen concept allows our chef Zoltán Feké to interact directly with our guests while preparing their meal.

Mr. Feké started out his career at the Hotel Inter-Continental and has worked in Paris, New York, Tuscany and Israel. He has prepared unforgettable meals for celebrities like Cindy Crawford, Tony Curtis, Javier Solana, B.B. King and Michael Schumacher. Café Míró Grande has two private rooms and a summertime patio, making it a year-round ideal location for business and social events.

Come and experience Míró at your next visit to Liszt Ferenc Square.



Healthy Workplace Awards 2008

AMCHAM AWARDED six companies during the sixth-annual Healthy Workplace Award Ceremony on December 8, 2008, at the Hilton Budapest WestEnd. Presented as part of AmCham's Healthy Workplace Program (HWP), the awards recognize a company's outstanding implementation of the recommendations set by the Hungarian National Health care Program.

For 2008, the program's independent Advisory Board awarded the following companies:

- ★ In the category of small businesses:
Blue Business Interior Kft.
- ★ In the category of medium-sized companies:
GlaxoSmithKline Kft.
- ★ In the category of big corporations:
Unilever Magyarország Kft.
- ★ In the category of large corporations: MOL Nyrt.
- ★ In the "Best Practice" category:
Coca-Cola HBC Magyarország Kft.

Due to the high level of the applications, the Advisory Board decided to give a special recognition in the category of big corporations to GE Hungary Zrt. – Energy Division.

The awards were presented by Péter Paál, first vice president of AmCham; Péter Dávid, CEO of AmCham; Csaba Szokodi, chairman of the AmCham Health care Committee; and Gábor Gálgyóczy, chairman of the Advisory Board. Welcome speeches were delivered by Melinda Medgyaszai, state secretary at the health care ministry, and Patricia Gonzalez, senior commercial officer of the US Embassy in Budapest.

Judit Kerek, member of the Advisory Board, stated that "the success of the Healthy Workplace Program can be seen in the fact that over 90 companies have joined the program since its establishment in 2002."

For more information about the AmCham Healthy Workplace Program, please visit www.amcham.hu/hwp. AmCham encourages all AmCham members to consider taking part in the program in 2009. ★



NEW MEMBERS – BUSINESS

DTM ZRT.



CEO: Zsolt Kalocsai
Address: 1135 Budapest, Faludi u. 3
Phone: (+36.1) 886 3700
Fax: (+36.1) 886 3729
Website: www.dtm.hu

DTM Tax and Financial Advisory Services Ltd., founded in 2001 by private individuals, was transformed into a private limited company in October 2007. Due to the commitment to a high-level, outstanding-quality service covering the entire spectrum of tax advisory, accounting, and corporate structuring advisory services, the company is now acknowledged as one of the dominant market players in the Hungarian market. As expected new Hungarian member firm of RSM International, the clients are supported by almost 80 advisors from the Budapest office.

EETEK HOLDING ZRT.



CEO: Alfredo Goyanes
Address: 1132 Budapest, Váci út 22-24
Phone: (+36.1) 412 2310
E-mail: eetek@eetek.hu
Website: www.eetek.hu

EETEK Holding Energy Efficiency Ltd, headquartered in Budapest, is a regional private equity company in the energy sector. Operating primarily in Hungary, Croatia, Romania and Slovakia, it offers energy services outsourcing, as well as energy efficiency solutions for industrial and institutional clients. EETEK Holding develops and implements renewable energy projects, combines the elements of energy efficiency and renewable energy applications.

Raising the employment participation rate

HUNGARY MUST USE the global economic crisis to implement reforms that have been delayed since the mid 1990s, because the postponements are steadily eroding the country's international competitiveness. Most particularly, this means raising the employment participation rate, Gordon Bajnai, minister for economy and development, told AmCham Business Forum participants on January 29 at the Budapest Marriot Hotel.

He also revealed that, according to the latest government estimates, the Hungarian economy would contract by 3% this year if no reforms were introduced – a figure starker than the latest prediction of 1.6% by the European Commission. “The issue is who will come out of this crisis first and be able to start growing when this unavoidable downturn ends. That will depend on the country's behavior during the crisis,” he said.

Bajnai outlined the latest government proposals announced earlier that day by the prime minister, stressing that one of the main strands of the government's recommendations is to maintain jobs, even if the capacity of work is reduced, in order to be better prepared for the eventual recovery. Indeed, measures have already come into force to support this policy which remains largely unnoticed, he said, citing, for example, subsidies for education and employee training for companies that move to a four-day workweek.

The ministry is also bringing forward infrastructure and other development projects that will attract EU subsidies as another part



of the job-stimulation package, while access to such subsidies has been simplified and accelerated, he stressed. “Hungary has been at the forefront of winning EU subsidies. This has enabled us to introduce a total €13 billion stimulus package. This and other new tools will maintain or create at least 100,000 jobs,” he said.

Bajnai reminded his audience that subsidies and support measures would be available to all companies in Hungary “regardless of ownership, Hungarian or foreign” and urged business leaders to apply for assistance. ★

Taking a leading role in promoting good governance

FOR THE SECOND year running, the American Chamber of Commerce in Hungary announced the winners of the AmCham Corporate Governance grant program at a press conference on December 2, 2008, at the Budapest Marriott Hotel.

With the program, AmCham aims to support university and college-level courses in Hungary that instill the values of corporate governance and business ethics in the next generation of business

leaders. “Good governance is not only vital for the competitiveness of an organization, be it a company, nonprofit or governmental body, but it is also vital for the competitiveness of a nation,” stated Gusztáv Bienert, president of AmCham.

During the welcoming remarks, László Cziráj, president of AmCham's Corporate Governance Committee commented: “AmCham is once again rewarding professors who teach their students best practice governance and ethics. This is an investment into Hungary's future and we can be proud that our program is already going to directly impact thousands of students who will be tomorrow's leaders in industry, government and the nonprofit sectors.”

This year's grant tender received 15 applications from 12 different higher-education institutions from across Hungary. The winning applications were from:

- ★ Dr. György Ligeti, Budapest College of Communication and Business
- ★ Dr. Martin Roderick, CEU Business School
- ★ Dr. György Marosán, Budapest Business School
- ★ Dr. Edit Barizsné Hadrázi, University of Debrecen
- ★ Dr. Dezső Szakály, University of Miskolc
- ★ Dr. László Fekete, Corvinus University
- ★ Dr. András Kecskés, University of Pécs

AmCham would like to thank Dreher Sörgyárak and Pannon GSM Távközlési for their support of the Corporate Governance Grant Program 2008. ★



Simor: Hungarian economy has avoided the worst

AMID THE ECONOMIC CRISIS, Hungary's foremost problem is it has a sizeable state debt that must be supported by a meager savings ratio, said András Simor, governor of the Hungarian Central Bank (MNB). Even though other countries also have a low savings ratio and rely on foreign funding, Hungary is set apart because its state debt is double that of some neighboring countries. The government suffers from "fiscal alcoholism," Simor explained during the AmCham Business Forum addressing the local effects of the global financial crisis, held on December 11 at the Budapest Marriott Hotel.

To target the economic turmoil, the MNB stabilized the forint and put liquidity in markets that have dried up, Simor said. In the one and a half months leading up to the December speech, both the forint exchange rate and Hungary's risk assessment improved in relative terms and brought Hungary back to its summer levels, Simor said. "I believe we have managed to avoid the worst," he said. "We have avoided a full-blown balance of payment crisis which happened in many countries all over the world, and the consequences are absolutely awful."

Now, there is enough liquidity in the banks, and these institutions are being very careful about what they're doing with the liquidity that is available to them, Simor said. However, he recognized that the banks have "difficulty letting the money out



the door." His simple solution is to increase the growth potential of the Hungarian economy, which is a long-term process that involves stimulating and incentivizing banks to use resources for those who need them most. "I'm also pleased to say that foreign banks are not moving money out of the country, but they are considering bringing more money into the country, and that is very important," Simor said. ★



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Goals of the American Chamber of Commerce
Foundation (AmCham Foundation):

- To help children in need of social, mental or physical support
- To provide transparent and ethical charity services for donor corporations
- To promote corporate social responsibility and the ethos of volunteerism in the Hungarian business culture

The AmCham Foundation expresses its thanks to the following additional companies that supported the Thanksgiving Charity Drive "to support children's homes in Borsod-Abaúj-Zemplén County":

SSL Hungary
Happy Kids International Kindergarten
Fulbright Foundation

AMCHAM

Calendar of Events

FEBRUARY

14 Saturday 7pm
*AmCham-Pannon Valentine's
Day Ball 2009*
**Location: Budapest Marriott
Hotel**

24 Tuesday 4.30pm
*Szeminárium és koktél:
Európai Unió tudásfejlesztési
források 2009-2010*
**Location: Kempinski Hotel
Corvinus Budapest**

25 Wednesday 12.30pm
Business Forum
**Location: Budapest Marriott
Hotel**

26 Thursday noon
*Global Leaders on the
AmCham Podium with Paul A.
Laudicina, Managing Officer
and Chairman of the Board,
A.T. Kearney*
**Location: Budapest Marriott
Hotel**

MARCH

24 Tuesday 7.00pm
Business After Hours
Location: Café Miró Grande

26 Thursday noon
Business Forum
**Location: Budapest Marriott
Hotel**

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



BOOK REVIEW

BY MARY MURPHY

Develop Your Leadership Skills – John Adair



Author John Adair holds the distinction of being the world's first professor of Leadership Studies and is a recognized authority on leadership. While there is a school of thought that good leaders are born and not made, Adair reckons leadership is something you can learn, principally from experience. But he argues that experience or practice has to be illuminated by principles or ideas. "It is when the sparks jump between the two that the learning happens."

Leadership skills are a key ingredient in management. For anyone who is about to take up a team leadership role, this simple, practical guide is worth a read. Part of the *Sunday Times* "Creating Success" series, *Develop Your Leadership Skills* is a succinct and accessible read.

Peppered with checklists and key questions for the reader, it is an interactive study of leadership. The framework offered includes: the essential qualities of leadership, how to acquire personal authority; the role of a leader; mastering key skills such as planning, briefing, controlling, evaluating, motivating, and organizing; how to develop yourself as a leader; how to be a strategic leader; and how to develop other leaders in your organization.

The *Sunday Times* "Creating Success" series is a practical set of short books on various business-related subjects. Other titles recently translated into Hungarian include: Patrick Forsyth's *Successful Time Management*, Ron Lilley's *Dealing With Difficult People*, Sue Bishop's *Develop Your Assertiveness*, David Oliver's *How to Negotiate Effectively*, and another John Adair title *Decision-making and Problem Solving Strategies*.

Develop Your Leadership Skills is published in the US and the UK by Kogan Page 2007 and in Hungary by Manager Publishing 2008.

SPECIAL DISCOUNT

For the month of February, if AmCham members buy five of the above-mentioned *Sunday Times* series titles, they will get the sixth one free. The listed price for each title is Ft 1,990.

For more information and to take advantage of this offer, please contact Ildikó Gálík e-mail: galik.ildiko@managerhungary.hu, tel: (+36.1) 450 0201 or mobile: (+36.20) 590 2892 or visit our bookshop in the Kempinski Hotel, Erzsébet tér 7.

Listed discounts are valid until February 28, 2009 and cannot be used in conjunction with any other offers.

AMCHAM STAFF



PÉTER DÁVID

Chief Executive Officer
peter.david@amcham.hu
T: (+36.1) 266 9880



LÁSZLÓ METZGER

Chief Operating Officer
laszlo.metzger@amcham.hu
T: (+36.1) 266 9880 / ext. 316
Coordinator of the SME Committee, Tax Committee and Investors' Council Coordinator



ANITA ÁRVAI

Events Manager
anita.arvai@amcham.hu
T: (+36.1) 266 9880 / ext. 325
Coordinator of the Environment Committee



KRISZTINA BEDŐ

Manager Event and Content Development
krisztina.bedo@amcham.hu
T: (36 1) 266 9880 / ext. 315



ERIKA BOSNYÁK

Finance Manager
erika.bosnyak@amcham.hu
T: (+36.1) 266 9880 / ext. 312
Secretary of the AmCham Foundation



EMÍLIA RÉPÁSZKY

Membership Manager
emilia.repaszky@amcham.hu
T: (+36.1) 266 9880 / ext. 329
Coordinator of the Membership Committee, Healthcare Committee,



PÉTER TAUSZ

Research and Legal Specialist
peter.tausz@amcham.hu
T: (+36.1) 266 9880 / ext. 310
Coordinator of the Corporate Governance Committee, the Political and Legislative Committee and the Transparency Committee



MAURITS VAN DER VEGT

Marketing and Communications Manager
maurits.vegt@amcham.hu
T: (+36.1) 266 9880 / ext. 360
Sponsorship / Business Development



ENDRE BOSNYÁK

Office Assistant
endre.bosnyak@amcham.hu

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www.sykes.com

1116 Budapest,
Hauszmann u. 3/b.
Tel: 36-1-382-1000
peter.turi@sykes.com

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