

AMERICAN CHAMBER OF COMMERCE IN HUNGARY

VOICE

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TRANSATLANTIC TRADE & INVESTMENT



MORE INSIDE:

▶ **Second Entrepreneurship Summit**

▶ **Women Of Excellence Winner**



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Dear Members and Friends,



Photo: Ervina Nagyparti

The publication of this letter signals the first anniversary of my term as President of AmCham. The year has been both busy and exciting; together with fellow board members, committee chairs, AmCham staff and, of course, our external

partners and members, several milestones have been achieved in 2013.

Our finances remained stable in times of turbulence and so did our membership as we worked to add almost 50 new members. Supported by our internal foundation, the reach of our advocacy efforts has increased, as we build upon our Strategic Cooperation Agreement with the Hungarian Government. Through this and with the help of our regulatory committee, chaired by Gábor Orosz (read an interview with him on page 26-27), we have managed to advance advocacy successes on several fronts. Other committees and working groups have also enjoyed progress while focusing on diverse topics like education and taxation.

Needless to say, this year's achievements would not have been possible without the professional work contributed by our volunteer experts and the engagement of our AmCham members. On behalf of the board, we would like to express our

heartfelt gratitude to everyone who has been active in these cooperative efforts. I personally would also like to thank the entire board, and especially David Young, Dr. Andrea Jádi-Németh, László György and Frank Klausz III for their dedication and work.

I would like to express our appreciation to Ambassador Kounalakis and her colleagues for their treasured partnership and support these past three years. We look forward to welcoming Ambassador Bell once her assignment begins in Budapest.

Finally, I would like to take this opportunity to thank Péter Dávid for his dedication and commitment to the chamber during his role as CEO. He served AmCham during a challenging period, one which saw Hungary and AmCham go through many significant changes.

The AmCham Board and myself wish all of you a very safe and pleasant Christmas season.

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PEOPLE

Crafting A Successful Life

by ROBIN MARSHALL

The struggles of her artistically gifted best friend became the inspiration for the business that helped Réka Porst win the 2013 AmCham Woman of Excellence Award, which this year had a special focus on successful female entrepreneurs.

Porst and her artist friend Borbála Hídvégi established Meska.hu in 2008 as a portal through which craftspeople and customers could connect. “Her inspiration was my struggle,” Hídvégi jokes now. “Ever since I was a child I was doing some craft, and as a teenager I started making jewelry and children’s toys but only for pocket money. I worked for a couple of big multinationals, but I didn’t feel it was my path. Réka kept telling me I should give up the day job and just concentrate on my art. I’d get a few shows in galleries, but they would charge so much it just about covered the cost of materials, I wasn’t making any money.”

Porst realized there must be others in her friend’s position. They looked at similar websites around the world, even finding some in Hungary, but none were focused on crafts. Porst, meanwhile, had been studying for an MBA and was working part time from home, having just had her third child. She decided it was time to act. “We started looking into it seriously in January, and launched Meska.hu in July 2008,” Porst says. “Once the idea had started in her head, she would not stop,” Hídvégi recalls. “From the moment we agreed

we wanted to do something together, she started pursuing it.”

Porst explains, “We have eight full time staff and several others part time, supporting some 3,600 craftspeople and more than 120,000 registered users.” Hídvégi chips-in that, “Out of those, we know that there are a few hundred who support their families exclusively through what they sell on Meska, and that is very rewarding for us.”

Asked whether it is easier to build a career and raise a family if you are an entrepreneur, Porst says it depends entirely on the attitude of the person. “If the job does not feel like it is a burden, I am the type of person who will focus on it 24 hours a day, it does not matter if it is my business or someone else’s. If I am given a task I identify with, I am 100% focused on it.” She admits that it has got easier to maintain a work/life balance though. “In the last three years it has become much easier because the kids have started school or kindergarten, so there is enough time during the day to focus on work and not interfere with family life.”

The pair, friends since high school and both aged 36, first heard about the WoE award when one of their registered artists nominated them. Once it became clear that only one person could be put



forward, it was Porst who was entered. “She is the face of Meska,” Hídvégi says.

Porst says being chosen from more than 60 nominations was a humbling experience. “It was a great honor, and also quite a surprise, that I was in the final sitting with these four other women who run enormous businesses and who are well known people. I feel I have learned so much from them. To then win it was a great surprise. But I think it is not only my success, it is also for those other women using our site and building successful businesses with the help of Meska. Now I hope winning this prize will make us more well known and that many others will be able to profit from it too.”

For a full report on the seventh annual AmCham Conference on Diversity and the presentation of the fourth Women of Excellence Award, see pages 22-23.

FULL LIST OF WOE FINALISTS 2013

Dr. Viola Gyovai;
Biola Biokozmetikai Kft.;
Ildikó Katona;
Könyvmolyképző Kiadó Kft.;
RékaPorst;
Meska.hu; Ágnes Anna Vida;
Kismamablog, Gazdagmami blog;
Izabella
Zwack: Dobogó Pincészet;
Zwack Unicum Nyrt.

PEOPLE

Finding The Excess Capacity

Ahead of her keynote address at AmCham's second Entrepreneurship Summit (see report on pages 28-29), Robin Chase, founder of ZipCar, Buzzcar and Goloco, did a Q&A session on entrepreneurial trends. Excerpts...

Last year you talked about how the 'collaborative economy' is taking over 'industrial capitalism' at a TedxHarlem talk. What can you tell us about

this trend today?

Over the last decade, we have learned more about the inherent benefits of the Internet. Among them is that the transaction costs of finding and sharing information is now very low. We have learned that individuals offer unique and very valuable input. We no longer consider ourselves consumers, but as collaborators, co-creators, or outright producers.

From the business perspective, it makes economic sense to turn to crowd-sourcing, crowd-funding, collaborative production, collaborate consumption. I call this new organizational model 'Peers Incorporated'. This new model delivers the best of the industrial economy (economies of scale, high growth, standards and consistency) together with the best of what individuals have to offer (localization, customization, specialization). Together, this new collaborative economy, which requires a partnership between big and small, delivers us flexible, resilient, innovative, and resource-efficient companies. It is just what we need to address the very high pace of change the world is experiencing today.

What is your message to CE start-ups?

Focus on delivering a high quality product locally, or in a small area that you can dominate. Then expand. Success wants to replicate itself. Today, we talk about starting with a minimum viable product. Figure out what that is, get close to customers as quickly as you can,

and then learn as fast as you can. This is where you beat every big company. They can't move as fast or be as close to their customers as you can be.

How can governments help entrepreneurship?

I have been recommending governments to 'open up' as much of their excess capacity as possible, because these become key resources for entrepreneurs. The most obvious is to move to open data for all government data (for the United States see www.data.gov). In San Francisco they are experimenting with opening up idle physical assets and inviting the public to engage in improving the city as much as possible (www.innovatesf.com). The mayor of Seoul is also doing remarkable work. He has declared Seoul to be a City of Sharing and again made as many of the city's asset available for innovation as possible.

Are there common barriers entrepreneurs face, across the spectrum of market areas, which can be addressed through public-private partnerships?

Entrepreneurs need time as well as some structure to play with their ideas. Most people start working on their entrepreneurial idea in their spare time. Making the leap to devote full-time to it is difficult and important. The loss of health care benefits associated with employment prevents many people from making the leap. The rise of incubators and co-working places can really help with advice and keeping costs down.

And back to my previous ideas of making excess capacity available to entrepreneurs, this is something that not just governments, but companies should do as well. Do they have empty

office space, a commercial kitchen or laboratory that could be made available, a meeting space? Most big companies would do very well to open themselves up to invite other outside minds to see what new uses and approaches can be made with things they aren't using fully. I see this as a means to farm for innovation in a very low cost and low risk way.



CV

Robin Chase is founder and CEO of Buzzcar, a service that brings together car owners and drivers in a carsharing marketplace. She is also founder and former CEO of Zipcar, the largest carsharing company in the world, and GoLoco, an online ridesharing community. She is on the Board of the World Resources Institute, the National Advisory Council for Innovation & Entrepreneurship for the U.S. Department of Commerce, and the OECD's International Transport Forum Advisory Board. She also served on various transport related boards and working groups, including for the U.S. Department of Transportation, and the Boston Mayor's Wireless Task Force. Chase has received many awards, including Time 100 Most Influential People, Fast Company Fast 50 Innovators, and Business Week Top 10 Designers. She graduated from Wellesley College and MIT's Sloan School of Management, and was a Harvard University Loeb Fellow.
<http://www.robinchase.org/>

Q&A

Elementary, My Dear Watson

The Liszt Academy of Budapest hosted the first Singularity University summit to be held outside the United States on November 15-16. The event brought the world's leading experts in exponential technologies to the Hungarian capital, among them Neil Jacobstein, co-chair of the Artificial Intelligence and Robotics track of study at SU, and a visiting scholar at Stanford University in the Media X program. He spoke to Voice about AI.



CV

Neil Jacobstein has served as a technical consultant on AI research and development projects for: DARPA, NSF, NASA, NIH, EPA, DOE, the U.S. Army and Air Force, GM, Ford, Boeing, Applied Materials, NIST, and other agencies. He was CEO of Teknowledge Corporation, a pioneering AI company, where he worked on AI applications systems for industry and government.

For those who are not familiar with artificial intelligence, what is it exactly?

There are three main vectors in artificial intelligence, a subfield of computer science that deals with creating machines that behave in ways that we would call intelligent if humans did them. The three main vectors are: machine learning, curated knowledge and reverse engineering the brain.

What do you mean by reverse-engineering the brain?

The human brain is the only example of a machine that has the broad, deep and subtle intelligence that we associate with human intelligence. So, reverse engineering to understand the principles of operation is very important. We can use a variety of sensors such as EEG to get an idea of what parts of the brain perform which functions, and then eventually how the brain performs those functions. After that we attempt to emulate those functions in either hardware or software.

SINGULARITY UNIVERSITY

Singularity University's mission is to assemble, educate, and enable a new generation of leaders in business, science, finance, and government who strive to understand and use exponentially advancing technologies to address humanity's grand challenges. Since 2009, SU has hosted students and industry leaders from more than 70 countries at its main campus in California's Silicon Valley, and offers graduate studies programs and specialized executive programs around the world.

Can you give us an example of a well performing AI System?

An example of an AI system that combines pieces of all three approaches is IBM's Watson System. It has recently won against the two world champion jeopardy players when it was not connected to the Internet and had to interpret a variety of answers that were part of the jeopardy game that include puns and double entendre. Watson interpreted the answers correctly and came up with questions associated with those answers in a way that outperformed its human competition.

Business NEWS Roundup

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

Compiled from **Hungary AM's news service**



ST LOUIS, MISSOURI-HEAD QUARTERED **EMERSON PROCESS MANAGEMENT** HAS EXPANDED ITS BASE IN SZÉKESFEHÉRVÁR WITH THE ACQUISITION OF A 25,000 SQM PLANT FROM **TP VISION**, THE PROCESS AUTOMATION COMPANY'S LOCAL UNIT SAID ON NOVEMBER 12. EMERSON'S CONTROL VALVE UNIT **FISHER** BOUGHT THE PROPERTY, DOUBLING THE SIZE OF ITS BASE. THE UNIT ALSO RENTS PROPERTY IN THE VIDEOTON INDUSTRIAL PARK. EMERSON WILL MOVE INTO THE BASE NEXT YEAR, AFTER IT COMPLETES A MORE THAN HUF 3 BLN (\$13.4 MLN) INVESTMENT PROJECT THERE. EMERSON HAS A SALES UNIT IN BUDAPEST AND A MANUFACTURING BASE IN IKLÁD, ON THE OUTSKIRTS OF THE CAPITAL.

German carmaker Audi inaugurated a HUF 10 bln (€34 mln) logistics park at its base in Győr, northwest Hungary on October 21. Axel Schifferer, managing director for financial affairs at **Audi Hungária Motor**, said the logistics park could manage freight from 150 lorries a day. The investment will create 300 jobs. The base is supplied by Audi business partners in 30 countries.

A-K Építőipari built the 75,000 sqm warehouse at the base in just under five months, said owner and managing director Károly Tallosi.

U.S.-based car rental company **Avis Budget** announced an expansion to its shared service center in Budapest, making about 150 new hires to raise headcount above 700, news agency *MTI* reported. Larry De Shon, who oversees Avis Budget's business in the region, said the company was confident the center would "contribute millions of dollars in annual savings by 2015". Avis Budget moved the center to a bigger building in Budapest to accommodate additional services earlier this year.

Danish medical supplies company **Coloplast** will undertake a more than

HUF 21 bln (\$93.7 mln) expansion at its bases in Hungary, Prime Minister Viktor Orbán said on September 16, after meeting with the company's vice president Allan Rasmussen in Parliament. The expansion will create 701 jobs, 426 at Coloplast's base in Nyírbátor and 275 in Tatabánya, Orbán said. The government is contributing HUF 2 bln (\$8.9 mln) to the investment, an amount it will recoup in five years, he added.

A project involving extension and general rehabilitation of the U.S. Embassy in Budapest has been awarded to Springfield, Virginia-based **Enviro-Management and Research (EMR)**, who will implement a design by **KCCT Architects**. Current plans call for "connecting an adjacent, recently rehabilitated historic building on Szabadság tér to the existing chancery facilities", according to the U.S. State Department.

The **Glencore** group inaugurated a more than HUF 40 bln (\$183.9 mln) oilseed processing plant in Foktő, 140 km south of Budapest, on September 19.

The plant means 128 new jobs for the area, state news agency *MTI* reported. Glencore employs almost 300 people in Hungary; CEO Ivan Glasenberg said the plant, which has capacity to process 600,000 tons of sunflower seeds a year, could be expanded further. Hungarian farmers harvested 1,317,000 tons of sunflower seed in 2012.

Danish pump maker **Grundfos** inaugurated a HUF 12 bln (\$55.1 mln) plant at its base in Székesfehérvár on September 26. The 16,000 sqm plant, inaugurated by Grundfos vice president Lars Aagaard and Prime Minister Viktor Orbán, is the company's second at the base and its fourth in Hungary. It will employ 300-350 by 2015. By the end of this year, headcount at Grundfos' four plants and distribution center will reach 2,300.

National Instruments Hungary, the Hungarian unit of U.S. automated test-equipment and virtual-instrumentation software company National Instruments laid the foundation stone for a HUF 4 bln (\$18.3 mln) Science Park in the city of Debrecen on October 1. Half the budget for the 6,000 sqm project was covered by a New

Széchenyi Plan grant. NI Executive Vice President Alex Davern stated that Debrecen was chosen over locations in Hungary, Europe, Southeast Asia and South Africa for his company's first-ever foreign-based production facility. NI Hungary expects to employ 300 workers, primarily R&D engineers, at the Science Park.

Péter Salga said. Dyntell is selling Pannon Szoftver's one-click business solution for small- and medium-sized businesses.

A survey undertaken by **PwC Hungary** and AmCham shows a high level of satisfaction overall with

'Stepping Up To The Next Level', PwC and AmCham surveyed 17 Hungary-based SSCs employing 11,000; overall, the country has some 80 Hungary-based SSCs employing 30,000 full-time. The ultimate conclusion: "Labor cost and the availability of workforce with the right skills will determine the future of the sector. While Hungary can still offer excellent opportunities, both for setting up new centers and for further growth of existing SSCs, the country has to find a way to better position itself within the region and identify how to become distinctive in the CEE."

Germany-based automotive parts manufacturer **Rehau** has formally launched its €60 mln (\$80.7 mln, HUF 17.8 bln), 24,000 sqm bumper injection molding plant in Győr; products made there will supply bumpers for Audi TT and A3 models assembled at the plant in the city, and Audi Q models manufactured in nearby Bratislava, Slovakia. The new facility is Rehau's 41st worldwide and, it is promised, will create 200 new jobs. Plant Manager Alexander Ziehr noted that the new plant and its logistics facilities cover an area of 26,000 sqm.

Prime Minister Viktor Orbán met with **Systemax EMEA Technology Group** CEO Pim Dale on September 24, afterward announcing that the U.S.-based computer distributor/retailer has created 505 new jobs in Budapest. Dale touted "the political stability in the country, the business environment, the excellent education system and the strong work ethic of the young labor force" as key in Systemax's choice of Hungary for its operations in January 2013; Systemax "will continue for the next ten years to build our business here", Dale said, while promising that "Budapest will be the central hub for the expansion of Sytemax's business in Central and Eastern Europe."

Property developer **WING** said on November 13 that **General Electric** (GE) would expand at its East Gate Business Park in Fót, near Budapest. GE will spend several billion forints to add an 11,000 sqm production hall at the site where it will make central control units for power plants.



HUNGARIAN ROAD HAULAGE COMPANY **WABERER'S INTERNATIONAL** ON OCTOBER 11 SAID IT HAD PLACED AN ORDER FOR 650 NEW VOLVO TRUCKS WORTH MORE THAN EUR 40 MLN (\$53.9 MLN, HUF 11.8 BLN). WABERER'S IS FINANCING THE PURCHASE WITH THE SUPPORT OF **VOLVO FINANCIAL SERVICES**. THE ORDER IS PART OF A DEVELOPMENT PROGRAM THAT WABERER'S LAUNCHED THIS YEAR TO BUY 1,100 NEW TRUCKS, REPLACING OLD ONES AND EXPANDING ITS FLEET. THE PURCHASES WILL KEEP THE AVERAGE AGE OF THE FLEET UNDER TWO YEARS, MAKING IT ONE OF THE YOUNGEST IN EUROPE. WABERER'S HAS MORE THAN 3,000 VEHICLES.

Switzerland's Dyntell group is selling invoicing software developed by Hungary's **Pannon Szoftver** in the United States, **Dyntell Magyarország** managing director

the performance of shared service centers in the country, making for an economic subsector which is "an untold success story" in the opinion of the study's authors. In the report

MACROECONOMICS

Looking On The Bright Side

by GERGŐ RÁCZ

The government has been claiming victory after victory upon the publication of macroeconomic indicators. The numbers are a much welcome boon ahead of the 2014 general elections, since they provide ammunition for those arguing that, economically speaking, the figures are heading in the right direction.

The third quarter produced an unexpected, 1.7% gross domestic product expansion from the corresponding period of 2012, mostly on the back of automotive manufacturing. Although the Central Statistics Office hadn't release the full details at the time of going to press, the upside surprise was enough to convince most analysts to up their projections for the annual aggregate performance of the economy.

"Full year GDP may now come in around 1% vs. the 0.5% previously expected, whilst next year would be around 2.1% vs. 1.8% previously expected, though we still see long run growth fall back then to around 1.5% in 2015," Nomura analyst Peter Attard Montalto said in a research note.

Even before the third quarter figures were made public, there were already optimistic forecasts. Bank of America Merrill Lynch is one of the investment banks holding higher hopes for the Hungarian economy, much more so even than the government itself. A September regional research note by analyst Raffaella Tenconi projected a growth rate of 2.6% for 2014.

"Households' concerns are alleviating, particularly in Hungary. The unemployment expectation index in Hungary has been falling since November 2012 and is only eight points away from the past three lows and 20 points away from the 2002 low. This seems to indicate that although the private sector is not yet adding jobs, the government

schemes to reduce the risk of long-term unemployment seem to be working," Tenconi said. Nomura predicts that the end of the year will likely spring a rally in Hungarian assets. "All the recent information at hand points to the forint being a candidate for a strong year-end finish," Montalto said.

Cautious Planning

Despite the favorable indicators, especially ahead of the fourth quarter when the holiday buying blitz traditionally gives the economy a nudge and domestic consumption also picks up, the government remains moderately cautious for next year.

The draft budget submitted to parliament assumes an annual output growth of 2%, consumer price inflation at 2.4% and a budget deficit target of 2.9%. Still, the improvement in the overall performance of the economy – projected at 0.7% growth this year after the recession of 2012 – has paved the way for the introduction of several crowd-pleasing measures. The core of the budget plan is the continued reduction of household utility fees and preserving the price reductions achieved thus far.

"Next year's budget paves the way for making everyday living easier," Economy Minister Mihály Varga told reporters after ceremonially submitting the document to House speaker László Kövér.

The planned budget would expand tax benefits for families, allow a waiver on part of student loan debts for those having

children at a younger age, a pension hike in line with the inflation rate and a significant amount, some HUF 132 billion (\$602.2 million), to be spent on raising teachers' salaries.

Maintaining Control

Key to the budget next year is the country's ability to keep the deficit below 3% of GDP, in line with the European Union's requirements to avoid reentering the excessive deficit procedure.

While Varga promised that the drafting of the budget won't be influenced by the general elections to be held next year, the plans show that the target is very close to the threshold. Earlier this year the European Commission decided to end its decade-long excessive deficit procedure against Hungary, satisfied that the country could now manage to keep the budget gap below the key 3% threshold sustainably and having accepted its provisional forecasts for the future. At the same time, it indicated that the situation could quickly change if governments resort to uncontrolled spending, as seen in the case of Malta, which spent only six months outside scrutiny before Commissioner Olli Rehn announced the procedure was to be reinitiated.

For the time being, Hungary is in the clear, since the European Commission's fall forecast has the deficit sustainably below the tolerance threshold.

The generally favorable outlook nonetheless does not exclude the presence of several



concerns about the feasibility of the planned budget draft and whether it will necessitate corrections later on.

“In summary, we can already state at this point that next year’s budget is planned to be stretched. There is a serious risk that intervention will be needed later on,” Raiffeisen analysts Levente Blahó and Ádám Keszeg said in comment.

Right now, the government is hopeful of reality exceeding expectations, from the continued output of the automotive sector, a better farm year and the rising purchasing power of households from central cost cutting measures.

The Economy Minister stated that domestic consumption would grow at 1.9% in 2014. As such, the projection for VAT takings has increased to HUF 3 trillion in the draft from HUF 2.95 tln for 2013, while central earnings from excise taxes are projected to be largely similar to this year’s levels.

Following preliminary and detailed parliamentary debate, the House is set to vote on the final version of the bill in December.

Utility Bargain

The parliamentary majority has approved the latest, 11% reduction to energy prices effective November 1. The legislation means that the price of natural gas, electricity and district heating will have dropped by

a combined 20% from December 2012 following the accumulated effect of the government’s cost-cutting campaign.

Given the crowd-pleasing nature of the bill, it passed with a 95% majority with only 18 representatives not voting ‘aye’.

According to György Barcza, senior analyst at the Századvég Gazdaságkutató research institute, the government drive to reduce utility expenditure has left a total of HUF 200 bln (\$912.3 mln) more with households, which is showing a favorable trend in retail spending, and consequently economic growth, as well as households’ holdings in Hungarian government bonds.

The combined growth of savings and spending mean that 2014 could bring a turning point, with economic growth assuming a sustainable trajectory, he told public radio.

The matter has sparked political criticism, with some opponents arguing that the utility cost-cutting campaign is a bluff that ultimately, the public will have to pay for. It is also causing some concern in Brussels. The European Commission said that while it doesn’t formulate an opinion on EU member states’ local price regulatory systems, in general it prefers interventionist measures to stay in effect only for the short-term, since they impact competitiveness.

“If the consumer price doesn’t reflect actual costs, then business will likely avoid such markets seeing the low profitability, there won’t be investments, there won’t be competition and without competition the situation becomes permanent and there will be no factor to put pressure on prices,” Marlene Holzner, spokeswoman for Commissioner for Energy Günther Oettinger said.

The government was undeterred by the protests, though, and pledged to continue the campaign, possibly introducing another round of reductions before the elections in the spring.

“The government will stay the course, in fact, it will continue to strive to make utility businesses nonprofit at the end of the process,” government spokesman András Giró-Szász said.

The cost-cutting measures have had a profound effect on consumer price inflation, which continued to hit record lows. The latest reading has CPI at 0.9% compared to the central bank’s 3% target. Absent inflationary pressure, the National Bank of Hungary is also clear to continue cutting the base rate, which was lowered once more to 3.4% at the Monetary Policy Council’s rate-setting sessions.

The government is also hoping to boost domestic consumption by expanding the relief efforts targeted at troubled foreign currency debtors, who would have their monthly installments reduced. Head of the Hungarian Banking Association Mihály Patai said that the plan to expand eligibility for the exchange rate-fixing scheme would bring in hundreds of thousands of new applicants.

While expanding the debtor relief effort, the government has also been forced to implement corrections to its earlier legislation on mandating a levy on all financial transactions. Fidesz caucus leader Antal Rogán said the move was necessary since the banks had passed on the costs of the tax to their customers through various other channels, meaning merely accessing one’s salary, whether it was via a card payment or a withdrawal, incurred a cost.

CAPITAL MARKETS

Budapest Blue Chips See Mixed Third Quarter

by **GERGŐ RÁCZ**

The heavyweights at the Budapest stock exchange have seen plenty of action in the third quarter, whether it involved minding their own storefronts or coping with the economic and sometimes political turmoil that surrounded them.

Magyar Telekom followed in the footsteps of Richter and was dropped from the MSCI emerging market index, no longer being deemed an investment-worthy paper by the investment intelligence service. As a result, the company's shares sank to HUF 286 (\$1.3) apiece, the lowest seen since 1997.

The company's third-quarter net earnings fell 37% to HUF 9.3 billion (\$42.2 million) from the same period a year earlier on base effects, falling short of the HUF 11.2 bln (\$50.8 mln) in analysts' consensus. Nonetheless, CEO Christopher Mattheisen (pictured) said the company was standing by its guidance for an increase in revenue from HUF 607 bln (\$2.7 bln) in 2012 and a 9-12% fall in EBITDA from HUF 195 bln (\$885.9 mln). But he added that the fall in EBITDA was expected "to be towards the better end of this range".

According to analysts, Magyar Telekom shareholders may have to settle for lower dividends because of lower profits as well as costs incurred by the extension of the firm's mobile license fee. While being removed from the MSCI basket is a blow, there have been analysts saying that investors who are open to riskier ventures should consider buying stock now when it is at temptingly low price levels.



Just as Magyar Telekom was dropped, drug company Richter was readmitted to the MSCI index after expulsion earlier in the year. The company successfully responded to liquidity concerns by cutting the nominal price of its shares to 10% to increase turnover. It also delivered favorable results to reassure investors. Third-quarter net income climbed 26% to HUF 11.3 bln (\$51.3 mln) from the same period a year earlier, the profit total beating analysts' expectations of HUF 10.2 bln (\$46.3 mln). Richter said it has been able to increase its sales on almost all of its established markets, while seeing a dramatic improvement in the relatively new Chinese terrain.

Oil and gas company MOL reported a third-quarter loss of HUF 30 bln (\$136.2 mln) because of a write-down on the assets of a refinery it is shutting down in Italy's Mantua. Chairman-CEO Zsolt Hernádi highlighted MOL's "strong balance sheet position, which ensures wide room for potential inorganic steps [...] We are focusing on a more active portfolio

management approach, especially in Upstream, to create near-term growth potential," he said.

MOL finds itself in the middle of a sensitive situation, one that has sparked intergovernmental tensions. Croatian authorities have issued an arrest warrant for Hernádi, who is consequently an internationally wanted man and featured on Interpol's wanted list.

Croatia wants to detain him on charges that he paid a bribe to former Croatian Prime Minister Ivo Sanader, allegedly the reason MOL was cleared to acquire a controlling stake in Croatian energy group INA. Sanader has since received a prison sentence over the matter. MOL denies the allegations and has refused to cooperate with the Croats, enjoying the support of the Hungarian state, which is MOL's biggest shareholder. The government reaffirmed its backing of Hernádi and dismissed the course of action that the Croats have taken in the matter.

It has also urged MOL to take responsive action and make preparations to sell its INA stake. It is currently unclear whether the Croatian state would be interested in any such deal following contradictory comments from government officials. There is also reported Russian interest for the share package.

OTP Bank's consolidated third-quarter after-tax profits took a hit, falling 74% to HUF 10.9 bln (\$49.5 mln) from the same period a year earlier on higher risk costs and a write-off at its business in Ukraine. The Ukrainian goodwill write-off hit bottom line by HUF 37.2 bln (\$169 mln) at its Ukrainian unit. Excluding the write-off, after-tax profit would have fallen only about 2%, the bank said. Analysts are optimistic about OTP seeing that, apart from the one-off, revenues and profits exceeded expectations and margins are improving for the company.

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The T-TIP Of The Iceberg

by **ROBIN MARSHALL**

If T-TIP, the transatlantic trade and investment partnership agreement, is reached, it will be in the form of a “living agreement”, one that moves forward by building on previous successes, or so believes one of Europe’s top lobbyists.

These are early days for the negotiating teams from the United States and the European Commission. The first round of talks were held in Washington in July. The second round had been scheduled for Brussels in early October, but was postponed as a result of the U.S. government shutdown. In the event, it took place in November, as this article was being prepared. Further rounds are planned for December this year and March 2014.

Thus far, the mood music from both sides has been positive. Both the Commission and the Office of the U.S. Trade Representative, in their various press releases and background briefings, have been keen to talk up the benefits of what the EU has called “the biggest bilateral trade and investment negotiation ever undertaken”.

An in-depth study by the Center for Economic Policy Research, London, looked into the potential effects of T-TIP. Although undertaken independently, it was commissioned by the EC, and found that “an ambitious and comprehensive trans-Atlantic trade and investment partnership could bring significant economic gains as a whole for the EU (€119 billion a year) and the U.S. (€95 billion a year) once the agreement is fully implemented. This translates on average to an extra €545 in disposable income each year for a family of four in the EU.”

A Foot In Each Camp

Susan Danger is not only an experienced



business advocate. As managing director of the American Chamber of Commerce to the EU, she represents an organization in a uniquely privileged position, with a foot (and possibly more) in each camp in these trade negotiations. “We represent the views of American businesses that are committed to Europe and are very heavily invested here.”

AmCham EU has no official role in the T-TIP negotiations, but Danger says it is a trusted partner for both sides. Indeed, the lack of an official status means it is often seen as an unofficial conduit. Either side of our interview, the managing director was meeting with representatives of both Europe and America. “For example, this week we have a meeting with Dan Mullaney, Assistant United States Trade Representative for Europe, and we were asked to invite along some other European business groups because they know we have the contacts. Similarly, when the European Parliament office was set up in Washington, we were asked to help with making introductions to the right people.”

Unsurprisingly, Danger says AmCham

T-TIP AND THE 50 STATES

The Atlantic Council, the Bertelsmann Foundation, and the British Embassy in Washington have prepared a unique study of the potential economic benefits of an ambitious and fully implemented TTIP for each of the 50 U.S. states. ‘TTIP And The Fifty States: Jobs And Growth From Coast To Coast’ examines potential employment gains and export increases. Released on September 24, speakers at the launch event included UK Deputy Prime Minister Nick Clegg, U.S. Senators Ron Johnson (R-WI) and Christopher Murphy (D-CT), and Bertelsmann Foundation Executive Director Annette Heuser.

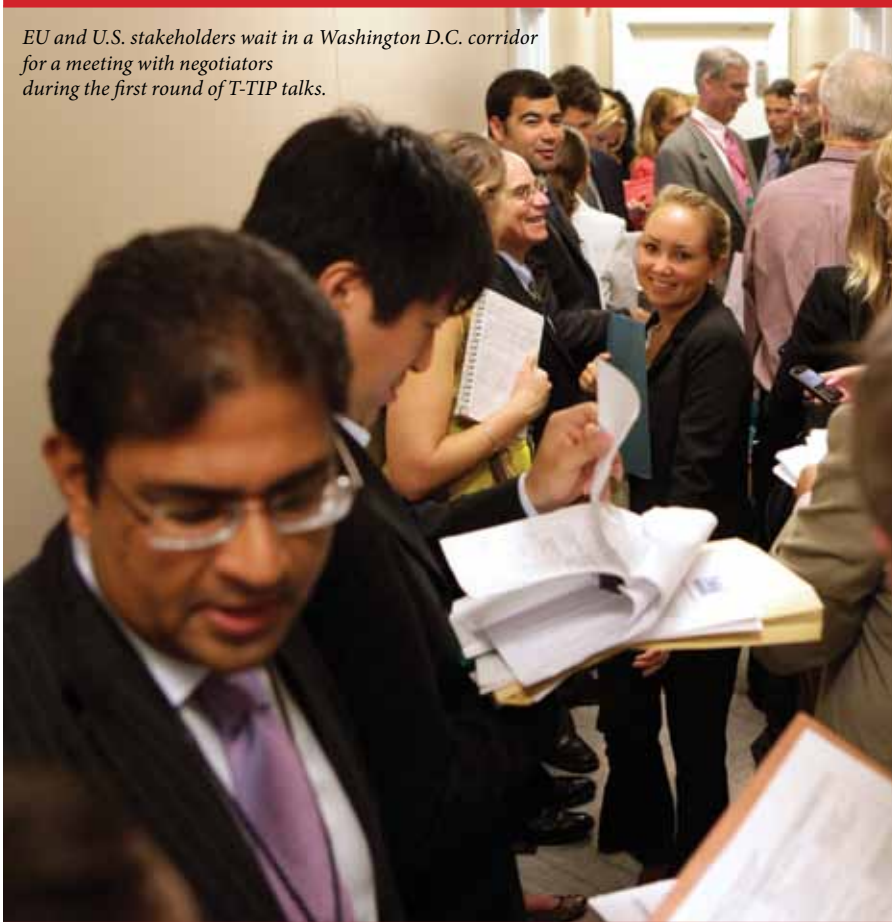
According to the Atlantic Council, T-TIP “is expected to significantly strengthen the European and American economies by aligning the two regions’ regulatory regimes, without compromising environmental or product safety standards. This will dramatically increase transatlantic trade and investment flows and support hundreds of thousands of related jobs — creating as many as 750,000 new jobs in the United States alone.” (Editor’s note: by way of comparison, that equates to the entire working population of the state of New Hampshire.)

“T-TIP also figures to be a key driver of wealth creation across the transatlantic economy for years to come. By lowering the costs of trade and driving job growth in a range of industries, American households (defined as a family of four) stand to gain approximately \$865 annually while their European counterparts gain \$720.”

EU supports T-TIP. “Our position is that the agreement needs to be win-win, something that should help everybody and will help everybody.” She thinks T-TIP will

do that, but adds that her organization has consistently backed attempts to establish a free trade agreement. “Certainly that was the case the last time there was an attempt to get a deal, when I first came here in ’95. We have been known as a partner for that long at least.”

EU and U.S. stakeholders wait in a Washington D.C. corridor for a meeting with negotiators during the first round of T-TIP talks.



‘One Tank Of Gas’ Timeframe

There is pressure from both sides to get a deal done sooner rather than later. That makes sense from the point of view of building momentum behind the project. Economic recovery both sides of the Atlantic is proving to be stubbornly sluggish, and there are political factors at play; the European Parliament has elections in May 2014, and that parliament will elect the European Commission President (currently José Manuel Barroso), while the U.S. mid-term elections are due in November 2014. A president in his second and final term, as Barack Obama is now, is often considered a ‘lame duck’ after these polls, even though the next presidential election is not due until in November 2016. Little surprise then that within hours of Obama giving backing for negotiations in his State of the Nation address, EU trade commissioner Karel de Gucht was telling reporters at a press conference on February 13, 2013, “We’d like to complete this work in about

two years from now.” In his welcoming remarks at the opening of the first round of T-TIP talks on July 8, United States Trade Representative Michael Froman was equally bullish when talking of a time frame: “We go into this exercise with eyes wide open. We know there will be challenges. But we also know that there is strong political will at the highest levels on both sides of the Atlantic determined to stay focused and get this done on one tank of gas. I have every confidence that we can achieve this goal.” News agency *Reuters* reported Froman using that same phrase in a news conference: “If we want to go down this road, we want to get there on one tank of gas and we don’t want to spend 10 years negotiating what are well known issues and not reach a result.” The “10 years” reference is to the stalled Doha round of World Trade Organization talks.

Danger says the people she is speaking to are keen to see a quick deal, too. “We just had a meeting with a permanent representative and his position was: ‘we want to see this done politically by the end of 2014.’” She takes that to mean the main work will have been finished and agreed by the end of next year, preparing the way for some kind of grand formal signing in 2015. “That is the year everybody is talking about,” she adds.

There Will Be Trouble Ahead

That there will be difficulties everyone involved acknowledges. A *Bloomberg.com* editorial headlined ‘EU-U.S. Free Trade Deal Offers Painless Stimulus For Both’ referred to “enduring and pesky irritants (such as EU restrictions on genetically modified foods, or U.S. laws limiting maritime freight and airline ownership) that have derailed at least three attempts over the past 20 years to close a formal U.S.-EU trade deal”.

Agriculture, and especially the issue of genetically modified crops, is likely to be a difficult area. Newswire *Reuters* noted, “When a transatlantic trade deal was mooted in 1998, it was shot down by France, which feared Europe could be forced into too many concessions on farm trade.” Data protection is another likely contentious arena. But external pressures might yet prove the biggest hurdles. There is considerable current European anger at the apparent level of American spying – think of German Chancellor Angela Merkel’s phone.

Danger mentions current feelings in the European Parliament and that “many” MEPs are saying that the spying scandal is a “political game changer”.

Which brings us to another potential problem: ratification. The European Commission is delegated to negotiate on behalf of all 28 member states of the European Union, for fairly obvious logistical reasons if nothing else. But the agreement that comes out of those negotiations needs to be accepted by the member states and also by a vote of MEPs

in the European Parliament. And as *EU Observer.com* points out, “Last year, MEPs used new powers by vetoing the global anti-counterfeit treaty ACTA – the first time that euro-deputies rejected an international pact negotiated by the EU executive.”

In other words, even if the political will is there to overcome decades-long problems and to structure an agreement that almost all parties insist is a good thing and will benefit citizens of both the United States and the EU at no cost to them, it could yet fall. And perhaps

STOP PRESS: SECOND ROUND OF NEGOTIATIONS CONCLUDE

The EU and U.S. announced the conclusion of the second round of weeklong negotiations for T-TIP on November 15, characterizing them as “successful” and “productive”. An EU press release described a “good atmosphere” and said, “the active involvement of regulators from both sides meant significant progress was made”.

“I am glad to see that we are now fully back on track with the EU-U.S. trade talks,” said EU Trade Commissioner Karel De Gucht. “We are making good and steady progress across the broad range of issues we need to tackle to make our transatlantic business environment more efficient and effective whilst preserving the protections and rights already in place for consumers. Let’s keep our eye on the prize: more jobs for people in Europe, more growth for the European economy.”

United States Trade Representative Michael Froman was equally upbeat. “U.S. and EU teams just wrapped up a very successful and productive set of meetings in Brussels this week during the second T-TIP negotiating round,” he said in a statement. “The first round of negotiations in July provided the opportunity to explore key issues that we expect to address in a comprehensive negotiation, and to identify areas of convergence and divergence. This second round has enabled us to probe more deeply into our respective approaches to specific trade and investment issues, and discuss areas of potential convergence in greater detail, including with respect to services, investment, and regulatory issues. I am very pleased with the progress we’ve made to date and look forward to continuing these discussions as we seek to enhance U.S.-EU trade and investment and grow our economies through T-TIP.”

Negotiators discussed investment rules, trade in services, energy and raw materials, as well as a range of regulatory issues, including regulatory coherence, technical barriers to trade and sectoral approaches.

In addition to the physical meetings in Brussels, videoconferences took place covering plant health and hygiene measures, intellectual property rights, competition policy and small- and medium-sized enterprises. Videoconferences on tariffs and on sustainable development, including labor and environment, are planned for the coming weeks, with a meeting to discuss financial services regulation scheduled in Brussels for November 27.

At the end of the week, the EU’s chief negotiator Ignacio García Bercero and U.S. counterpart Dan Mullaney held a meeting with more than 350 EU and United States stakeholders representing non-governmental organizations, consumer groups, trade unions, and business and professional organizations.

The next round of T-TIP talks will take place in Washington D.C. in the week of December 16, meaning that, despite the postponement of the second round due to the U.S. government shutdown, the negotiations remain on track. After the December round, the two parties plan to take stock, identify areas of convergence and areas where political guidance might be needed.



Ignacio Garcia Bercero (left) EU chief negotiator, and Dan Mullaney (right), Assistant U.S. Trade Representative for Europe, speaking after the conclusion of the second round of T-Tip talks

the biggest irony of all is that it could be EU citizens lobbying MEPs who bring that about. NGOs have already signaled their concern that consumer protection powers will either be diluted or pushed to one side. And NGOs tend to be much better at running social media campaigns than governments or business bodies.

“Political support is important to get things started and push through the negotiations, but public support is vital to T-TIP’s success,” warns Danger. She wants to see more reports like that by the Center for Economic Policy Research, and far more like the Atlantic Council study which breaks down the benefits from a nationwide level to state level. Make it understandable to people

at a human level, in language and terms that they can understand, she argues, and it becomes more real, and more supportable. “Getting facts and figures like that out and convincing the public is crucial.” Specific reports for Hungary, or Bulgaria, indeed each of the member states, will help make the case for T-TIP more accessible, Danger believes. “That is one of the things AmCham EU is looking at now, how can we help? We don’t necessarily have the expertise or capacity to do a report for each country, but we can offer help and advice.”

It’s alive!

Assuming it does happen, what form might T-TIP take? At a recent roundtable discussion organized by AmCham Hungary (see report on pages 18-19),

there were two schools of thought. One proposed getting a short form agreement now and building on it for the future. The other was more of a ‘now or never’ approach and called for getting a comprehensive, all-bases-covered agreement, even if that took three or four years. Based on her conversations with people involved from both sides, Danger tends towards the former.

“The idea is to have a ‘living agreement’ by getting the right processes in place, getting rid of any low hanging fruit early on. That is my understanding. Getting a fully comprehensive agreement in place in the timeframe of 12 months to two years would be virtually impossible. The idea would be to have a few success stories so momentum can build and people can see there is something to work on when it gets really difficult.”

AMCHAM HUNGARY’S POSITION

“AmCham Hungary, as per its mission statement, supports measures that will increase the transparency and competitiveness of the Hungarian economy, and will contribute to job creation, growth and prosperity on an equal basis. We have no direct input into the TTIP negotiations, but will continue to advocate for what is in the best interest of our members, this country and transatlantic trade. These negotiations will undoubtedly be tough, but we can all hope for a swift, fruitful outcome.” Willy Benkő, President, American Chamber of Commerce in Hungary

Does Danger think a deal will be done? “I am a positive person. My gut says yes. It is the right time for everybody, there is still a lot of high level support behind it, there is very strong commitment from both sides, and there is still momentum for some agreement to be made. If it isn’t done now I think it would be a tremendous lost opportunity.”

ROUNDTABLE

Overseas trade barriers

by **GERGŐ RÁCZ**

There is little doubt in the minds of all involved parties that a comprehensive trade agreement between Europe and the United States would be a boon for businesses on both sides of the Atlantic. Still, getting there will take sacrifices, convincing some of the need to aim for low hanging fruits first, while others demand going all out for broke.

Despite the depths to which the economies and consequently the development of the United States and the European Union are linked, there is still a large amount of regulatory and administrative matters that inhibit the kind of free e-commerce between the two that is now an everyday reality within the EU.

As speakers at a discussion on the subject organized by AmCham Hungary agreed, the benefits of a potential agreement, referred to as the Transatlantic Trade and Investment Partnership or T-TIP (pronounced tea-tip), would be large scale. But due to the seemingly infinite number of variables, there are doubts whether even a watered down version of something that could be considered comprehensive is achievable.

“This will be a tough sell to the U.S. public with the huge unemployment and they also don’t necessarily understand the need to trade,” says Professor Joseph P. Quinlan, who despite his doubts is a self-proclaimed enthusiast of TTIP. An expert in transatlantic trade, he also gave the keynote speech, having been invited to the region to talk on the subject by seven of the local AmCham organizations. Ironically, his flight to Budapest had been cancelled, so he participated via a Skype video feed from Ljubljana.

That quote from Quinlan represented just one of several prospective obstacles



highlighted, and that is just on the other side of the Atlantic. Zsolt Becsey, coordinator of foreign economic relations at Hungary’s Foreign Ministry, was quick to add that the EU isn’t itself

famous for making rapid progress in matters pertaining to free trade, especially one that would be so decisive. The prospective deal, if realized in its idealized form, would bring an

almost global system of standards and regulations, which would be a huge boost for businesses, especially producing industries.

For the time being, a firm that is operating in many locations has a difficult time adapting to the diverse local features and regulatory issues, said Zsófia Diószegi, finance director of National Instruments. “Standardization on regulatory areas would also help to allow sales on both markets at the same time,” she said, while stressing that breaking down the tariff barrier would be a small step, but a much welcomed one.

There is also a diversity of views on what the agreement should contain, or whether it should even be signed if it falls so short of anything that the affected parties would consider an ideal state.

“I would aim for the low-hanging fruit,” said Zoltán Matisa, operations manager for IBM Data Storage Systems, a notion Diószegi supported.

In contrast, Becsey said that there is little point in creating patchwork legislation and the only acceptable outcome of the talks is a deal that covers a broad range of areas. Accordingly, the provisional timeline that ends with a resolution will most likely stretch well into the future.

Quinlan stressed that if anything is to become of the negotiations, it has to happen in 2014 by the mid-term elections in the United States, since after that the White House will be a lame duck. However, such a relatively rapid negotiating process would entail a watered down version that would then have to be expanded and revised over and over again in the future.

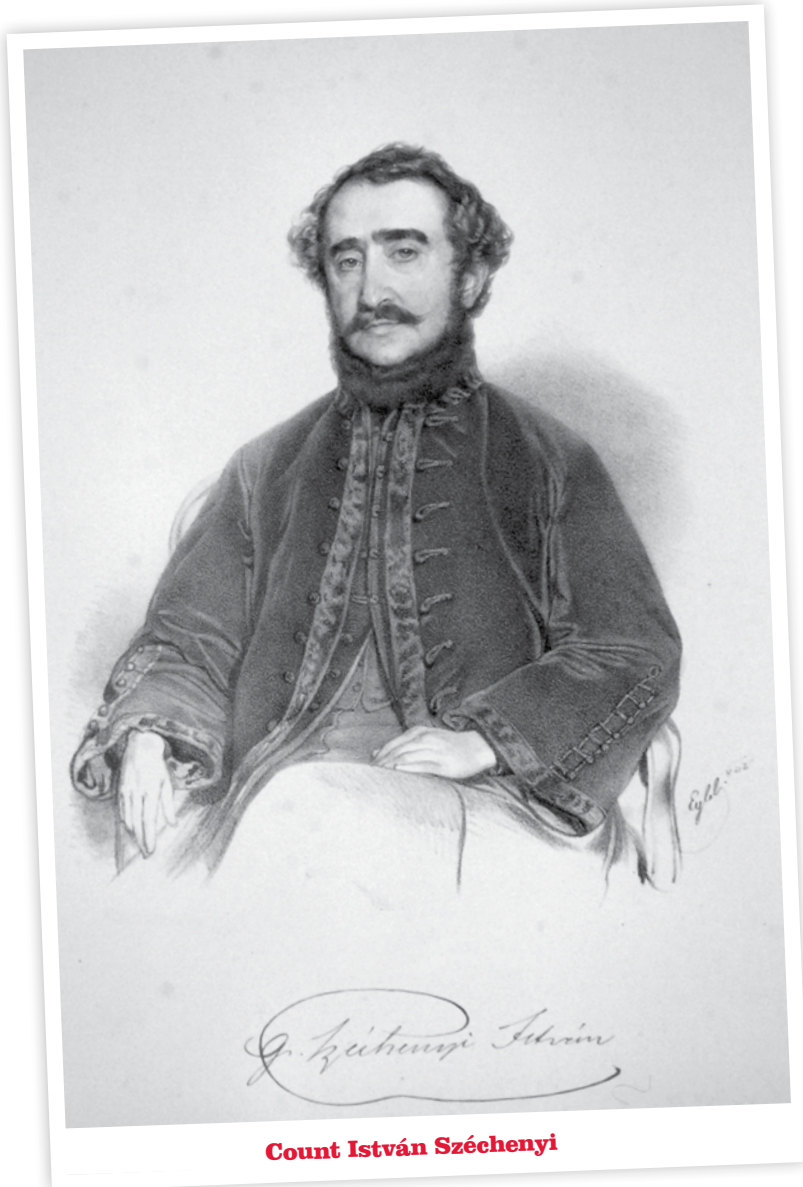
Based on political factors like European elections that will result in a new European assembly as soon as next July, and a new commission only in November, Becsey said a 2014 agreement is pretty much a fantasy. If at any time the full package may be formulated, an occurrence that the Hungarian government would fully support, it could only happen sometime in 2016 or 2017 at the soonest, he said.



ANDRÁS TÖRÖK'S BUDAPEST

The Past And Future

The Chain Bridge is a favorite among tourists. Hungarians and expats alike love it, and are very proud of it. This was the first permanent crossing between Buda and Pest, but I bet you haven't come across all of its amazing secrets. Here are a few of the lesser known ones.



Count István Széchenyi

A SUCCESSFUL DEVELOPMENT PROJECT

The bridge was an early PPP (public-private partnership) project, built without a penny of public money. Since 1767, there had been a semi-permanent pontoon bridge between Buda and Pest. But between late fall and early spring it was stored in a shed, since the ice made crossing dangerous. A young captain of hussars, Count István Széchenyi, was unable to cross to attend the funeral of his father, in December 1820, and it was then that he first proposed the erection of a permanent crossing. He soon became the mastermind behind the project.

FOUR KEY PEOPLE

He had to find three other key people to realize this larger-than-life project. He found William Tierney Clark, the well-known engineer and bridge designer relatively quickly, during a study tour in England, in 1833. Clark proposed a "hanging chain bridge, with pillars", and had prepared the detailed design by 1839. He was far too busy in England, so he appointed the Scottish engineer Adam Clark (no relative) to act as a resident engineer and oversee building here on the spot. The fourth person, Baron George Sina (one of the richest men in the Habsburg Empire), undertook to finance the building.



William Tierney Clark

EVERYBODY SHOULD PAY

It was clear from the beginning that the PPP could only work if every single person paid a toll, including noblemen (who were traditionally exempt from all taxes). There were many persons who did not have to pay on the pontoon bridge: lawyers, doctors, noblemen's entourages, city employees, etc, who all opposed the permanent bridge. But, together with the city governments of Pest and Buda, the bridge-builders badly needed the revenue. Finally, a law was passed in 1836 that ordered that a private corporation would build the bridge, and everybody would have to pay.



Of The Chain Bridge



Adam Clark



Baron George Sina

MILITARY OPPOSITION

Building a bridge such as this proved to be very difficult. The main reason for this was the absence of W. T. Clark, since he directed the project via letters. Then there were transport difficulties: the ironwork was produced in Britain, shipped to Rotterdam and brought down through canals. Shipping took a little less than two years! And then there were the high taxes that Baron Sina was reluctant to pay, involving him in fighting for reductions (though not in vain!) And finally there was the Austrian military, which – deep down – hated the project, and tried to slow progress (it owned land in the area of the Buda end of the bridge).

RETURN ON INVESTMENT

In 1837 Baron Sina established the Chain Bridge Corporation, and signed a contract with Palatine Joseph (the Habsburg prince who represented the Emperor in Hungary). The corporation would have the right to collect money for 97 years, and 30 kinds of toll (ranging from a simple passer-by without any luggage, the cheapest, to a cart driven by six oxen, the most expensive) itemized in the agreement. In 1840, the baron agreed to lower the collection period to 87 years. (As a matter of fact, the toll recouped the investment capital and interest in 21 years! When the toll was paid, a metal coin was given in receipt, which had to be dropped at the other end into a box.)



THE LAYING OF THE FOUNDATION STONE

THE SORRY OCCASION OF THE OPENING

The bridge was eventually completed four years behind schedule. In May 1849, during the siege of Buda, an Austrian colonel tried to blow up the bridge; ironically, though the damage was not serious, the officer was killed in the explosion. One person who never saw the bridge completed was the initiator himself: by that time Széchenyi had already been in a mental asylum near Vienna for more than a year. W.T. Clark did not attend, as he had been offended during the final settlement of his payment. Baron Sina and Adam Clark were present on November 20, 1849, but they all missed the visionary Count.

THE FUTURE?

Nowadays the Chain Bridge plays relatively little role in Budapest traffic; it has only two lanes, and widening has never been on the agenda. Pro-bicycling NGOs have called for a ban of cars on the bridge, though they don't seem to mind buses (and maybe taxis). The celebrated architect Gábor Zoboki put forward an idea to lengthen the Metro 1 from Vörösmarty tér, and build tracks on Chain bridge to Buda, while banning all buses. The future of Chain Bridge is uncertain; what is certain, however, is a near universal love and admiration for a bridge built under a lucky constellation of stars.

GOVERNMENT BUYOUT

Baron Sina did not live long enough to see all the expenses reimbursed to his company, and when he died in 1856, the bridge project was seriously in the red. But he left an astronomic personal fortune to his only son, so much money that he could have built no less than 13 chain bridges himself. In 1870 the government agreed with the corporation to buy out all the shares. The rapid expansion of Buda and Pest required more bridges, so rather than abolish the tolls, they covered the building costs of the later spans from the revenue. Bridge tolls were discontinued only in 1918.



REBUILDING (PLANNED AND UNPLANNED)

The Chain Bridge was rebuilt in 1914/15. It was made stronger, but looked more or less the same, although there were no more wooden railings or cobbles, meaning the prohibition on smoking on the bridge was lifted. The German destruction of the structure on January 18, 1945 was entirely pointless from a military point of view, as the Red Army was already on both banks of the river. By the time that rebuilding had ended (the date of the exact centenary of the original opening, November 20, 1949), the Communist coup d'état had already happened, and the reopening was ruthlessly exploited as "the triumph of the Hungarian working class".

CONFERENCE

Competitiveness Through Diversity And 'Girl Power'

by **LEVENTE HÖRÖMPÖLI-TÓTH**



Women Of Excellence: Finalists of the 2013 'Women Of Excellence Award', from left, Ildikó Katona, founder of Könyvmolyképző Kiadó Kft, psychologist/freelance writer Ágnes Anna Vida, Réka Porst, co-founder of meska.hu, Viola Gyovai, founder of Biola Biokozmetikai Kft and Izabella Zwack of Zwack Unicum Nyrt.

For the seventh time, the annual AmCham conference on diversity again dealt with important social and economic issues. The difficulties and opportunities linked to multicultural work places, worker mobility and knowledge transfer across borders were analyzed by a group of selected guest speakers. The event also included the Women of Excellence Award ceremony where entrepreneur Réka Porst, a mother of three, won the prestigious title.

As has been the case over the past six years, a number of high-ranking corporate executives, human resources and social sciences experts were invited to share their thoughts at the annual conference backed by AmCham. Keynote speeches and panel discussions addressed the potential of diversity as a result of globalization, handling multicultural aspects at work places and worker mobility.

Diversity is deemed a pillar for competitiveness as people with different cultural backgrounds, when brought together, can produce special added value. The importance of self-awareness was also stressed since individuals need to know their own roots first in order to be able to appreciate those of others. It was further noted that the fundamentals of any culture are the same, so if the very basic rules are observed, background-bound conflicts can be prevented. But acting in a diverse environment

presumes mastering the art of communication as well.

Another aspect of globalization, migration was described as a significant catalyst to diversity. The problem in Hungary is that most well educated people end up and move within Budapest and its immediate surroundings, whereas those with the lowest social status remain in the underdeveloped rural areas. The government, individuals and businesses all have to do their homework in order to help cross those physical and social boundaries and enhance mobility. Unfortunately, in Hungary there is a lack of readiness to move inside the country for the sake of a job. Hungarians tend to be more adventurous only when they face the option of moving abroad.

The best-skilled members of the work force have been leaving the country in big numbers. A government program was urged by speakers to convince such people to return so that they bring their invaluable expertise back with them. In



South Korea and China, an incentive scheme works to do just that.

Knowledge transfer across borders was also discussed. Panel members gave examples of their first-hand experience

of how to build up complex company structures under globalized conditions. LogMeIn, a celebrated star of the start-up scene is a textbook case to demonstrate how an innovative idea can grow from a small Hungarian office into a global brand.

The conference was also linked to the ceremony for the Women of Excellence Award 2013. The concept was inspired by a Morgan Stanley initiative in Hong Kong, although there it is 'merely' business success that is awarded. In the Hungarian version universal human and female values are taken into account as well. Each year a different individual aspect is stressed in the award procedure, and this time it was entrepreneurship.

From amongst 60 candidates, Réka Porst emerged the winner. She co-founded a website, meska.hu, which serves as a market place for handcrafted goods. By now up to 3,600 artists and hobby makers sell their products to a pool of more than half a million online visitors per month. The webpage assist a lot of low-income individuals to make money from their hobby or their art. Réka Porst is also raising three children and she has proven to society that it is possible to excel both at business and as a mother; one of the key criteria of receiving the award is to set an example for women in Hungary that such harmony does exist.



OPEN MEETING

IFRS On The Horizon

by **ROBIN MARSHALL**

Accountants, at least according to common mythology, don't get excited about much, but the recent open meeting of AmCham's Taxation Committee, which gave the CFOs of several multinational companies the chance to sit down and talk with a member of the government, certainly produced something to get their pulses racing: the possibility of introducing International Financial Reporting Standards (IFRS) for individual companies.



"It was very easy to organize. We have always had, and I hope always will have, a good working relationship with the government. We have provided them with constructive feedback, we try to make it balanced, offer something positive not just complain. Anyone can complain, even a three-year-old!"

Pankucsi was delighted to accept. "One reason I was happy when I received this invitation is that I would have the chance to receive feedback on the current situation. Another reason was that it would give me a chance to underline the reasons why we had again changed the tax rules," the deputy state secretary explains.

The idea of opening up meetings is not new, as Botond Rencz, chairman of AmCham's Tax Committee, explained. "This is not the first open committee; we initiated the idea within AmCham of opening up some meetings not just to the committee members but also to anyone who is a full member of AmCham. This was our second such open meeting; in this case we invited those people who were interested in understanding tax matters more on a policy basis, and learning about the government's intentions," Rencz says.

"For AmCham members it is a very good opportunity to share with the government how measures are impacting their business. No one is perfect, legislators won't always know or be able to predict all the outcomes of the laws they enact. In that regard we can help the lawmakers with our feedback." This meeting was a follow up to a discussion that had been going on within AmCham about the concept of tax law changes and their likely consequences. "I thought that it

would make sense to invite a leader from the Ministry of National Economy to come along and share his views," Rencz recalls, and so a call was made to Zoltán Pankucsi, Deputy State Secretary for Taxation and Accounting.

"It is one thing to make changes in the tax regime in Hungary; but that does not necessarily mean it will work in practice. It is very important from time to time to explain why you make changes, and exactly what

PANKUCSI ON AMCHAM

"I feel that AmCham's views are always welcomed by the government side. This is the outcome of the long and very strong work of AmCham that I really appreciate. It is not one of those organizations that has one event a year, decides nothing is good in Hungary, that there is a lot to do and then goes home and does nothing.

"It is really well organized. It points out those things and situations in the economy that are really worth some consideration. This really practical approach is very important. Of course it is important to have a view about the general situation, and to have a long debate about principles, but if you want to influence the decision making process you have to be practical; where are those two, three or four things that can be changed and that would create a better environment. AmCham is really good in this respect.

"It knows very well the factors of the economic environment, knows its members very well, they can channel their problems to AmCham and AmCham then knows how to channel those to the government. Of course, this does not mean AmCham is always successful, but I think it is really successful in adjusting principles in a very practical useful way for government action, and in this respect is a very unique chamber in Hungary."



those changes are. If taxpayers know the reason why government carries out measures, they will try and implement them in an appropriate way. If they do not understand the purpose we have, there is a very high risk those measures will not work.”

It seems his attempts to personally present policy have paid off. “I think he was very honest and open,” says Krisztina Varga, CFO at Hewlett-Packard. “He has good expertise in this field. I really appreciated the way he structured the government’s moves and changes for FY14, so we were able to put it in context, it was made very clear. He was very open to our feedback and received that well.”

Richard Brasher, CFO at Coca-Cola HBC Hungary Kft, was similarly positive. “He is transparent, a sensible accountant who knows his stuff, with a good sense of humor. He likes meeting people, likes talking about the issues, he is not a legislator by profession but will talk about the niceties and intricacies of the working of the laws, whether it is corporate income tax or accountancy law. He is making a good effort [to reach out to business] and that is commendable.”

But what got both really excited – and indeed making offers to help – was the possible introduction of IFRS accounting standards for individual companies.

“That was particularly well received by us as that is one of the major operational and bureaucratic burdens of life here, that we always have to meet the local Hungarian reporting standards, while in much of the West IFRS is more and more welcome,” Varga confirms. “It was one of the best messages he could have given us. HP is, of course, an IT company so I offered him our

help to do whatever it takes to make this happen as soon as possible.”

Brasher agrees. “I think it could be very exciting for the country. It seems a very small, very technical and quite geeky accounting step. But it would be very advanced. Zoltán is very astute to pick up on this.” Any change, though, would require much work. “All Hungarian accountants and auditors would need to learn IFRS. For the Big Four [accounting firms] this would not be a problem, but for some of the others it would be a fairly major undertaking. A big chunk of the taxation legislation would need to be changed to apply the use of IFRS as standard, and the legal framework would also need to be changed.”

Pankucsi himself was keen to stress to *Voice* that no government policy decision has been made, but he felt it was important to see what level of support there was for the technical proposal from senior businesspeople. He says he was happy with the feedback. There is, he thinks, a small circle of companies like HP and Coca-Cola, which use the reporting system at group level and could introduce it here relatively quickly, if the administrative procedures and laws were changed to allow it.

“Of course we are talking about a gradual transition. This small batch of companies are well used to IFRS, I do not believe for them it would be so hard. Probably 2015 would be possible. I think for others not using IFRS it would take two or three years to get ready – it takes longer to fill out the reporting standards, it is not a cut and paste job from the existing accounts or an excel spreadsheet. But I do not believe it would be an option to oblige all companies in Hungary to use IFRS.”

IFRS PRIMER

The idea behind IFRS is to produce a single set of high quality global accounting standards, so that everybody reports in the same way, improving transparency and trust and making comparisons much easier. Some jurisdictions, such as Australia, Hong Kong, and New Zealand, have adopted IFRS word for word as their national accounting standards.

Within the EU, most of the standards have been accepted, with the exception of one very technical part that affects a handful of banks.

Richard Brasher, CFO, Coca-Cola HBC Hungary Kft, explains how the system works here: “Basically there are four types of accounts: 1) consolidated group accounts that are listed; 2) consolidated group accounts that are not listed; 3) individual company accounts of entities that are part of a listed group; and 4) individual company accounts that are part of an unlisted group or individual company accounts that are not part of any group. This last category is by far the biggest, containing individual entities down to the smallest registered companies” he says.

“EU rules are applied in Hungary for groups that are listed – they have to report under IFRS. Groups that are not listed are allowed to use IFRS locally for consolidated accounts. But for categories three and four on the list above, for individual companies, Hungarian accounting standards must be used. Hungarian accounting standards therefore also basically form the base for calculating tax liabilities. For Coca-Cola here in Hungary, we report to our parent for consolidation using IFRS first, but our local accounts have to be changed to Hungarian reporting standards. I don’t think there is a country in the Hellenic Group that doesn’t have to make at least some manual adjustments (apart from consolidation adjustments) from IFRS to local standards. I would love to see Hungary make this very exciting step into the future.”

UPDATE

Advocacy's Acid Test

For any organization involved in advocacy work, the acid test must be how effective are you. AmCham, and most specifically its Regulatory Committee, got at least a partial answer to that when a state secretary and his team agreed to attend an open meeting of the committee.

“**T**o the best of my knowledge this really was an unprecedented gesture by the Ministry of Public Affairs and Justice (KIM),” says committee chairman Gábor Orosz. The meeting lasted for one and a half hours and involved state secretary Bence Rétvári and five of his department heads covering the topic areas being discussed: namely, the Civil Code, the new Competition Act, data privacy legislation and the Labor Code. That alone should tell you that KIM is taking the relationship seriously.

“The state secretary and his colleagues were engaged in some pretty high level conversations, people were taking notes and we know that certain topics were being followed up since then in an appropriate way,” Orosz says.

This didn't just come out of the blue, of course. The relationship was formalized back in February 2011 when AmCham signed a strategic partnership agreement with KIM in Parliament. Since then AmCham has submitted more than 30 thoroughly prepared materials. Perhaps even more crucially, there have been a growing number of meetings with legal experts within the ministry. In simple human relationship terms, the two sides have been getting to know each other, building up trust. “To me, this meeting really is a concrete gesture from the ministry that it takes the strategic cooperation agreement with AmCham seriously.”

The feedback from KIM was that it has appreciated the level of work AmCham puts into its submissions. “Whenever they get anything from us, they know it is worth considering on the merits,” Orosz insists. That doesn't mean that AmCham gets its way all the time – far from it – but

State secretary Bence Rétvári



the staff at KIM does at least give them a reasoning why, which hasn't always been the case in the past.

The committee chairman now talks of “legal arguments going back and forth” between experts at the ministry and those on the regulatory committee. This is a two-way process, not all one-way traffic from AmCham to KIM. “This meeting was a clear attestation that the ministry sees it this way too, and huge kudos should go to the guys working on the committee who have dedicated a lot of time to ensure AmCham gets this level of recognition.”

One of the things the committee is able to do, through the multinational, multi-jurisdictional law firms who are members of the chamber, is build properly researched professional comparative assessments of how legal problems are tackled elsewhere. Sometimes it will be the case of applying best practices or ensuring compatibility with EU law. On other occasions it will be arguing that there actually isn't a need for overly bureaucratic legislation stemming from EU obligations.

“Recently we did just that with the Data Protection Act – there was an issue we were

ADVOCACY UPDATES IN THE PIPELINE: NEW COMPETITION ACT

AmCham submitted its comments on the new draft of the Competition Act to the Ministry of Public Administration and Justice in early October.

AmCham's position included several recommendations and touched upon, among others, the following issues:
 Re-consideration of the new "settlement scheme";
 Enforcement of procedural deadlines;
 Notification of a planned concentration;
 Imposition of fines;
 Obligation of companies to supply data at the request of the Hungarian Competition Authority;
 Access to the file in competition supervision proceedings;
 Competition law compliance schemes introduced by firms; and
 Leniency rules.

For the complete AmCham position (Hungarian language only) on the new draft of the Competition Act please visit the AmCham website.

SHARE YOUR EXPERIENCE

On June 21, 2013 the Hungarian Parliament approved important changes to the Public Procurement Act. The governance and transparency committee and the transparency subcommittee closely looked at modifications to the act. Now, we would like to ask member companies to send us their specific suggestions, observations or comments regarding public procurement procedures, so that AmCham can work out a position that will well reflect the experience of member companies. Please forward your comments in Hungarian by January 15, 2014 to judit.szilagyi@amcham.hu.

pushing and the government modified it accordingly. This is an area where we can really help, because it takes a lot of work to do such comparative research; we in particular are in a position to be able to utilize the necessary resources. We have a very broad range of member companies of various sectors and sizes, many of which are multinational and can bring experience from their own businesses. And of course

Regulatory committee chairman Gábor Orosz



we have many multinational law firms or local firms belonging to reputable international legal networks. This is a very non-trivial activity to do. There are not too many organizations in Hungary that can put something like this together."

Orosz is not saying everything is perfect in the relationship; he would still like to see longer prior notice given for new legislation the chamber is asked to comment on. But he feels even that is moving in the right direction, possibly because the pace of legislative reform is slowing somewhat from its earlier, breakneck speed. "If you see this fall's legislative schedule, it is a fraction of what was on the agenda previously," he says. "I think our focus will shift to a more proactive role, rather than simply responding to the latest new legislative proposals in however many days we are given."

And that will give plenty of scope for AmCham member companies to get involved by providing key feedback, the regulatory chairman says. Now the spotlight will be on how the laws are implemented, and their impact on daily business. No one, he argues, is better placed to comment on that than the businesses themselves. "The

ministry would welcome it if we say here is a list of items related to the implementation of the Data Protection Act or the Labor Code. I do not think it would be surprised now, we are seen as a credible and reliable source.'

Indeed, the relationship is proving so worthwhile that there is serious talk of making such a meeting with the state secretary an annual event. Of course, there is the little matter of a general election next spring to come first...

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ENTREPRENEURISM

'Luck: Where Preparation Meets Opportunity'

by **ROBIN MARSHALL**

If a suitable ecosystem is to be built to support entrepreneurship in Hungary, its development will have to happen at entrepreneurial speed warned Kevin J. Aspegren, one of the panelists at the second annual AmCham summit dedicated to the subject.

Aspegren is an entrepreneur-turned-teacher and investor, the co-chair of the board of advisors to the Simonyi Business and Economic Development Council, founder of the Simonyi Center at Pécs, which offers business development services to entrepreneurs and organizations, and a partner at private equity firm Chastain Holdings, LLC.

Speaking during the third of three roundtable discussions, entitled 'Implications For The Ecosystem', Aspegren was asked what would make the system more effective. He suggested waiting another 12 months for the third annual conference would be too long. "We should have 'Summit 2.5' six months from here; if we are going to get moving, we need to move like entrepreneurs." The panel, moderated by Janós Vecsenyi, professor of Budapest University of Technology and Economics, also included Zsolt Winkler, CEO of Kitchen Budapest, an organization that works on its own experimental ideas, takes on third-party commissions and seeks out startups as an angel investor. "We should open up more incubators," he said. "We need incubator houses where startups can find help, whatever they need – and they need a lot of help."

László Bacsa, the director of the Technology and Knowledge Transfer Office at Budapest University of Technology and Economics, represented tertiary education. "We need more cooperation," he admitted. "Universities



Kevin J. Aspegren

are probably slow organizations, but we are trying to change, to be more open and to cooperate with external partners. We should learn much more and try to help."

István Lám, the young founder and CEO of cloud-based file sharing service Tresorit, believes entrepreneurs needed help identifying markets and commercializing their ideas, and also in how to run a business. "There is a big empty space between running a company and business skills, and running ideas and engineering skills. We need to fill that empty space," he said. "Google's biggest revolution wasn't their background search algorithm, but the business model, selling ads around it, and relevant ads." Lám also said entrepreneurs needed a reverse psychology from that

used by most people. "You should always ask 'Why not?' 'Can we do this? Why not?' If you have a good reason for not doing something, then you can say 'No.'"

AmCham's Governance and Transparency Committee originally instigated the summit. In his opening remarks, committee chair László Czirájk, said: "We are here to build the spirit of entrepreneurship. Let's help the next generation of entrepreneurs in Hungary and in the region succeed [...] Any competitive economy in the world needs small business, needs entrepreneurs: they provide jobs, they provide optimism, and based on a fair free market system, an entrepreneur can succeed."

The first keynote speaker, Robin Chase, founder and CEO of Buzzcar, had shared the story of how she had created Zipcar, which became the largest carsharing company in the world. It was a speech sprinkled liberally with gold dust for entrepreneurial wanna-bes.

She used to say she was lucky until a friend reprimanded her for not taking praise where it was due. In the year 2000, very early on in the life of Zipcar, she was contacted by news agency AP (Associated Press); a reporter had spotted her highly conspicuously colored car, with its logo emblazoned on the passenger door, and wanted to do a story on her and the then new idea of carsharing, where people book time to use a car rather than own one themselves. Door advertising back

then was “completely unheard of”, Chase explained. “I had chosen a lime green Volkswagen Beetle because I knew it would be seen. Luck is where preparation meets opportunity,” she told her audience.

“You want to be a learning company, making iterations and changing phases,” she explained. “If you see a problem, correct it quickly; this is the big advantage you have over large companies, where it can take months to get something fixed. With a small company, you can see the problem yourself and change it immediately.” She gave an example of a small dash-mounted electrical user interface box that had been intended as a key element of the Zipcars plan.. “We spent half our money in preparations for this stupid box. After three weeks it had caused us so many problems we got rid of it.”

Customer relations are equally important. Chase recounted her horror when she saw she had got her figures for the hourly rates wrong, and realized she would have to put them by 25% or risk going bust. Having initially cried in her bedroom for two hours (“I was so angry, nobody had said it would be so hard”) she decided to email her clientele. “I was always very close to our customers. I said ‘I totally screwed up and need to raise the rates.’” By the following morning, 19 customers had accepted the new deal, and only two had not, but even they came round and became advocates of the company.

When the company was three years old, it received an email that said simply, “Have I told you lately that I love you?” Chase was moved. “I realized we were building a company where people sent it love letters. That is what I always try to do now.”

The businesswoman was also involved in a roundtable discussion about smarter ways to make it as an entrepreneur, where she returned to her theme of being a learning company. Agreeing with Aspegren (also in on this panel discussion) that there was a primary need to “get to market, get to revenue”, she said no entrepreneur should wait until his or her product was perfected. “Make sure you make it clear that this is a pilot, it is beta, these are early days, but there should never be a ‘perfect’ product. You should be constantly, incessantly improving, for ever.” “The sooner you get your product out, the sooner you can

ORGANIZERS

AmCham Hungary, U.S. Embassy, Budapest Business School, CEU Business School, Hungarian Private Equity and Venture Capital Association.

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learn. You should always be out sooner than you think.”

Balázs Fejes, who oversees strategy and operations for the banking and financial services unit at EPAM – the last company from the region to go public on the NYSE, back in February 2012 – said entrepreneurs should make the best of the talent pool around them, pointing out that “per capita, Central and Eastern Europe produces more engineers than any other part of the world”. He also touched on the need to learn. “You have to have the personality where you can quickly recover from failures. You have to fail constantly; you have to learn from it, but you will make a lot of mistakes.”

AmCham Hungary president Willy Benkő gave the second keynote speech, and concentrated on what it took to be a “significant” entrepreneur, where you can make the biggest impact”. First one had to enjoy the process. “What a shame to build a wonderful company and not enjoy it.” Next, embrace the people. “This is an emotional game.” After that you had to engage with the grand challenges in life, to give yourself a higher purpose. “You have to have a reason to get up in the morning, and the reason you get up has to be bigger than a pay check,” he said. “If your only reason for doing it is to see your business succeed, you will be hosed when it fails.” Finally, he said, you have to choose your attitude, to decide to be positive and supportive, to offer that word of encouragement that could make all the difference to someone else.

The third roundtable discussion, sandwiched between the other two, dealt with ‘Women In Entrepreneurship’. Barbara Piazza-Georgi, an expert for the

UN on developing countries, said the issues facing men and women were largely the same, with a few notable differences. Her views were not, perhaps, politically correct, she said, but that did not make them less valid.

“The elephant in the room is work/life balance, that is the big difference. A woman expects herself – and is expected by others – to pick the family role first, and men are expected to pick work first.” Getting hold of money could also be a problem. “One definite issue in almost every country is access to bank credit, both because women are less likely to have collateral to offer, and also based on perception.”

Some facts could not be ignored, she argued. “There are underlying biological issues that will never be changed; if a woman wants to have the average of two-three children, then she will miss two years of the prime of her life when she is either giving birth or organizing her life around breast feeding. The rest is socialized. There is no reason why a man should not be able to take care of a one-year-old child as well as a woman. In an ideal world, childcare would be better distributed between men and women.”

Asked (by a man) what advice she would give a female manager, given that “women are more emotional than men”, Piazza-Georgi was clear: “Differences between managers are much bigger according to character rather than gender; I would not give different advice to a woman than a man.”

Réka Matheidesz, founder and CEO of the design management company WAMP pointed out that not having more women in business was a massive missed opportunity. “There is a higher proportion of women in higher education [than men]; it is a waste to society to see these people sitting at home.” She noted that in her creative field there tend to be more women, and that entrepreneurs rarely work regular nine-to-five office hours. “Being an entrepreneur is also a good way of dealing with work/life balance,” she said.

USTREAM

The event was streamed live, courtesy of sponsor Ustream, and videos of it can be viewed at www.ustream.tv/amcham

OPEN MEETING

Murky Waters Getting Clearer

by **LEVENTE HOROMPOLI-TÓTH**

In an effort to increase the transparency of European institutions, a register for lobbyists was set up two years ago. Its purpose is to provide the public with information about those with the potential to influence European policy making, and those who benefit from EU funds. A recent seminar in Budapest highlighted the developments of the scheme. Will the process help the EU get closer to its citizens, as so many have hoped? That remains to be seen, but any action in this direction can do no harm.

The European Union has been struggling to raise its credibility among citizens. One of the ways to do so is to put the transparency of its institutions on display. Part of that effort was the establishment of the Transparency Register for interest representatives. Now the Commission is on a European road show to spread the word on the achievements of the scheme, and Budapest was among the tour dates on October 17, at an open meeting jointly organized by the Governance and Transparency Committee of AmCham and the Anti-Corruption Committee of the Joint Venture Association, a business alliance of foreign and domestic investors; both organizations hold promotion of anti-corruption practices extremely high among their main objectives.

Gérard Legris, Head of Unit Transparency at the European Commission, briefed the audience on the latest developments of the project. He recalled that the register had been set up in June 2011 and its main purpose is to keep track of lobbyists and their activities regarding their relations with the European Institutions.

Legris insists the Transparency Register can contribute to an environment that limits corruption by giving the public full access as to whom is engaged in activities aiming at influencing the EU decision-making process. The scheme also serves as a 'one-stop-shop' that bundles together the various instruments available to citizens. Wide-ranging access is granted to internal and legislative documents; furthermore, work programs, road maps, impact assessments and a register of expert groups can be researched.

The register is based on three pillars. The first is the public database itself, which contains relevant details of interest representatives. The number of registrants will soon to hit the 6,000 mark. Around half of these are in-house lobbyists or trade and professional associations, and another quarter is comprised of NGOs. The rest is made up of professional consultancies, law firms, think tanks and organizations representing municipal bodies. Registration is voluntary, but requires interest representatives to provide information on their finances, HR resources and the amounts of EU money received. As second pillar, a code of conduct, applies to registrants that commit

themselves to play by the same ethical rules. Closely connected to it is an enforcement system of complaints and sanctions where a 'name and shame' policy prevails and results are derived from the threat of reputational damage.

But the existence of the register is probably best for the interest representatives themselves. The image of lobbying has long been tainted in the eyes of the European public, but now that all the major data connected to those involved is openly available, the profession can gain more credibility. The business environment will surely benefit too by becoming more reliable.

Legris added that a review of the scheme is under way in which possibilities for improvement are being evaluated. Feedback from stakeholders looks promising, although whether the register should be made compulsory has been hotly debated. Yet, whether the legitimacy of players of the European game will grow in the long-term cannot be taken for granted. Only the electorate could give an answer to that, by reversing the ever-falling turnout rates at European elections, the next of which are due in 2014.



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ShiwaForce.com Inc. provides online multi-platform content management systems and behavior driven agile solutions. Our latest product, Karma Platform is the only non-UK member accepted into the Bloomberg Tradebook GROW program. Karma turns spreadsheets into business apps in the blink of an eyesaving time from juggling with piles of data.



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IPARK Pécs owns and manages a 200 hectare territory functioning as an industrial, logistic and technological park. It is a prime location directly on the M60 highway, next to Pécs-Pogány Airport. IPARK Pécs encourages manufacturers, wholesalers and service providers to use IPARK's facilities and enjoy its supporting services.



Védelem Holding Kft.



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VÉDELEM Holding was established in 1990. Our slogan is: 'Complex services, complex security'. Conscious facility management represented by us for years in the field of property operations and maintenance, may significantly reduce the costs of property maintenance for our customers. We pay particular attention to the value-for-money of our activities to approximate the optimum level.



StreamNet Kft.



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StreamNet Ltd. is a Hungary-based, professional business video integrator company, established in the year 2000. Our main activities focus on videoconference endpoint and network solutions and audio-video integration, digital signage and value added services. We have a series of self-designed and manufactured components. We represent leading U.S. IT and AV vendors in Hungary, including Cisco, LifeSize, Crestron, Extron.

START-UP



ACME Labs Zrt.



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Partnering Central Europe Ltd. is a consultancy company working in customer relationship development arena. Beside our consultancy activities we provide platforms – expo, conference, club – where business relationships can be expanded and best practices, trends, and opportunities can be shared. We bridge companies and institutions working in different areas of customer relationship.

NON-PROFIT



Egészségügyi Technológia és Orvostechnikai Szállítók Egyesülete - ETOSZ



President: **Mr. András Csató**
Address: **1023 Budapest, Felhévizi u. 5.**
E-mail: **etosz@etosz.org**
Web: **www.etosz.org**

The Association of Health Technology Suppliers and Medical Device Manufacturers is a non-profit organization representing the Hungarian medical technology sector and covers almost 80% of innovative suppliers and manufacturers. The acronym ETOSZ expresses its definite ethical attitude and proves a strong message on its commitments to a transparent market and regulatory environment.



Children's Nutrition Fund



Managing Director: **Mr. József Barát**
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Web: **www.childfund.org**

The mission of CNF is to provide food and education for children who would otherwise have to go without in Central-Eastern Europe. Firstly in Hungary, and eventually within the entire region. CNF also saves talent: our scholarship program offers high quality education for talented children living in poverty. Help us- to help!



Hungarian Service and Outsourcing Association (HOA)



President: **Mr. Attila Suhajda**
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Web: **www.hoa.hu**

The association's mission is to promote the country's economic development by supporting the business services sector, through spreading opportunities to increase efficiency offered by organizational innovation and in particular through uptaking the concept of outsourcing. HOA is an open, independent, professional organization. It's common organizing principle is to participate in service activities provided to the stakeholders of the economic and public sector.



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For information visit our website at www.amcham.hu or contact our Membership Manager, Ms. Ildikó Takács-Berka in the AmCham Office
Phone: 428-2084, E-mail: ildiko.takacs-berka@amcham.hu

PATRON PROFILE

Erős Ügyvédi Iroda/Squire Sanders (US) LLP

FIELD OF BUSINESS: Global legal practice

WHEN ESTABLISHED (PARENT COMPANY AND HUNGARIAN COMPANY): The firm was founded in 1890; the Hungarian office was established in 1991.

WORKFORCE: Squire Sanders operates as a 'one-firm firm' with approximately 1,500 lawyers, based in 39 offices in 19 countries.

BIOGRAPHICAL DETAILS OF INTERVIEWEE: Ákos Erős, aged 46, is a global partner of Squire Sanders. He is office-managing partner of the Budapest office, and has been with the firm for 14 years, focusing his practice on corporate law and mergers and acquisitions.

LENGTH OF TIME THE COMPANY HAS BEEN AN AMCHAM MEMBER: We have been a member since 1993.

LENGTH OF TIME AN AMCHAM PATRON: We have been a Patron Member since 2013.



HOW WOULD YOU DESCRIBE THE CURRENT BUSINESS ENVIRONMENT IN HUNGARY?

The Hungarian business environment is currently more challenging than it has been in the last few decades. Firms are facing more pressures due to the prolonged economic downturn and business opportunities remaining limited. However, we believe that Hungary has a realistic chance for a successful recovery. We also believe that the positive mood of businesses can contribute to the overall level of economic buoyancy in the country, and that organizations such as AmCham can and should play a critical role in this recovery. By coordinating the efforts and activities of its members, AmCham can directly contribute to this shift towards a more positive sentiment among Hungarian businesses.

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

Since the beginning of Squire Sanders' operation in Hungary in the 1990s, the Hungarian economy has seen significant growth due to extensive privatization and green-field investments by foreign companies. The reforms in the '90s increased investor confidence and legal work played a very important and crucial part in the process of market economic development. In fall 2008 the spillover of the financial crisis to Hungary broke this upward trend and the country and market faced, and are still facing, a serious challenge. Our firm also felt the external difficulties but with our cautious policies and global background we have maintained strong relationships with our clients.

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

The greatest challenge is to maintain the confidence of foreign investors and reduce the uncertainty preying on business minds. The economy has been showing signs of recovery since 2011, with decreasing tax rates and moderate GDP growth. Following discussions with the EC, the Hungarian government has openly demonstrated its willingness to find solutions in the areas of concern to our European partners. Hungary is now well on its way to be revitalized and reorganized under European principles and in such a way as to continue to be an attractive country for FDI.

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

Hungary, being a relatively small country, and highly dependent on the level of foreign investment, is in a fragile position. It should therefore aim to be a very open economy, fully integrated in the EU and into the global economy.

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

Squire Sanders, as one of the top 10 leading international law firms in the world, has been a member of AmCham for the last 20 years and has always closely cooperated

with the organization. Our legal insight and market knowledge has been an asset and we have benefited from the connections acquired through AmCham activities and initiatives. We feel that being a proactive partner in this relationship is of fundamental importance to our success. We certainly value the level of exposure that comes with AmCham membership and supporting AmCham initiatives makes sense for both of us from various perspectives. Being a global firm, with strong roots in both Hungary and the United States, underscores the high level of common interest, and we see significant potential in being able to contribute even more intensively to the shared effort to shape policy making in Hungary.

WHAT ARE THE ADDITIONAL BENEFITS OF BEING A PATRON?

As a Patron member, we will strive to support the chambers' activities as vigorously as possible. Participating in AmCham events and activities on a higher level will deliver even greater visibility and credibility in the Hungarian business environment. Patron membership would also allow us the opportunity to further contribute to AmCham's policy-making initiatives.

AmCham Events -



Dr. Chrysta Bán, Co-Managing Partner, Bán, S. Szabó & Partners

SEMINAR & COCKTAIL: CARTEL LAW AND LENIENCY POLICY IN HUNGARY 2013

Tuesday, November 19, 2013
Location: Budapest Marriott Hotel,
1052 Budapest, Apáczai Csere
János u. 4.



AMCHAM COMMUNICATIONS SCHOOL WITH EDINA HEAL, COUNTRY MANAGER, GOOGLE HUNGARY AND ANDRÁS DUNAI, PRESIDENT OF THE ASSOCIATION OF HUNGARIAN CONTENT PROVIDERS

Tuesday, November 12, 2013
Location: AmCham Conference Room,
1051 Budapest, Szent István tér 11, 6th floor



AMCHAM MORNING SEMINAR ON PUBLIC PRECUREMENT RELATED ISSUES

Friday, November 15, 2013
Location: AmCham
Conference Room, 1051
Budapest, Szent István tér 11,
6th floor



AMCHAM MORNING SEMINAR: CURRENT ENFORCEMENT TRENDS IN THE REGION - FCPA AND OTHER ANTI-CORRUPTION LEGISLATION

Wednesday, November 6, 2013
Location: EY Conference Room, 1132 Budapest, Váci út 20.



Photo Coverage



*AMCHAM CAREER SCHOOL WITH
ISTVÁN CSÉPES, CEO AND OWNER
OF CSÉPES SAJTMŰHELY*

Tuesday, November 5, 2013
Location: AmCham Conference Room, 1051
Budapest, Szent István tér 11, 6th floor



*AMCHAM COMMUNICATIONS SCHOOL
WITH ZOLTÁN HANGA, SPOKESMAN
OF THE BUDAPEST ZOO AND ATTILA
FODOR, COMMUNICATIONS DIRECTOR
OF CBA*

Monday, October 7, 2013
Location: AmCham Conference Room, 1051 Budapest,
Szent István tér 11, 6th floor



*AMCHAM CAREER SCHOOL WITH
DALE A. MARTIN, CEO OF SIEMENS
HUNGARY*

Tuesday, October 1, 2013
Location: AmCham Conference Room, 1051
Budapest, Szent István tér 11, 6th floor



Budapest Bank, the winning soccer team

**FIFTH AMCHAM
ANNUAL SPORTS
DAY AND SOCCER
TOURNAMENT**

Saturday, September 14, 2013
Location: GLOBAL Football
Park & Sporthotel, 2089 Telki,
Szajkó utca 39.





SUMMIT

High School Students ‘Invade’ Parliament

October 16 saw the first AmCham Language Ambassador Summit held in the historic setting of Hungary’s beautiful parliament building in order to discuss ways of improving the project, spreading its popularity among schools and, most important of all, increasing an interest in foreign language learning amongst students, thereby making the workforce better suited to the needs of a modern market economy.



Representatives of the companies that have given most support to the program



State Secretary András Doncsev

Ambassadors’, were taken from the chamber’s membership and, with the support of the Ministry of Human Resources, it was arranged for them to visit high schools and give lectures at language classes or open school meetings to discuss with the students the importance of knowing a foreign language, and how such skills had helped the ambassadors in building their own careers.

The main objective of the parliamentary summit was to initiate a dialogue between the parties concerned. More than 100 language teachers and the same number of high school students, as well as representatives of the ministry and AmCham held a discussion on how to make secondary school education more effective and in line with business needs.

András Doncsev, Parliamentary State Secretary in the Ministry of Human Resources (who had previously worked as a journalist at an English-language newspaper in Budapest) stated in his speech that more emphasis in language education must be placed on the needs of employers. He also made it clear that,

The AmCham Language Ambassador Program is a volunteer organization of member firms that aims to encourage language learning in high schools. So far 126 language ambassadors from nearly 50 companies have invested more than 200 hours, meeting with some 4000 students in 40 schools all around Hungary.

Foreign language skills among the workforce are a priority for Hungary’s competitiveness in order to support the presence of foreign companies in the country, and to expand Hungarian SMEs. By European standards, Hungarians have very poor knowledge of foreign languages, with little more than

30% of the population speaking a second language beside their mother tongue.

AmCham launched its foreign language learning initiative in the spring of 2011. Volunteers, the so-called ‘Language

RELATED ARTICLES

Education That Serves Society, Voice, March 2013

Bridging The Academic-Business Divide, December 2012

‘It Is Worth Learning Languages... And You Can Do It!’, June 2012

Filling In The Education Gaps, March 2012

Ambassadors Of Inspiration, January 2011.



contrary to some rumors, the government has no intention of making the foreign language exam requirements (necessary for obtaining a university degree) any easier.

“It is not only an opportunity but an obligation to become ambassadors for the country using our language skills when meeting with a foreigner. By this, we can help create a positive image of the country and thus improve Hungary’s competitiveness,” said Willy Benkő, President of AmCham, in his welcoming speech.

László Metzling, AmCham’s chief operating officer, is responsible for the office coordination

of the program. “We are very proud that this grassroots initiative has developed into a nation-wide program in just two years with the help of our dedicated volunteers and partners,” he said. “We are very grateful to our interns who coordinate between the ambassadors and the schools as it is a complex and time-consuming task. I personally found being a Language Ambassador rewarding and I encourage our members to join the program.”

AmCham welcomes applications from high schools that wish to participate in the Language Ambassador program, which should be sent to the dedicated nyelvi.nagykovet@amcham.hu e-mail address.



Andrea Juhos, Chair, AmCham Labor and Education Committee

AmCham Staff

ACTING CEO, CHIEF OPERATING OFFICER, COMMITTEE COORDINATOR



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CHAMBER CORNER

The Drive To Increase FDI

In the latest in our series looking at sister chambers, Kristiina Helenius, CEO of AmCham Finland, discusses the challenges facing international and Finnish businesses in 'the new North'.

Current campaigns:

AmCham Finland's number one priority is to increase foreign direct investment in Finland. We produce an annual policy platform that outlines our recommendations for achieving this goal. At the moment, we're working on the promotion of investment in healthcare, developing access to capital for Finnish growth companies, and developing the region as an investment destination.

Notable successes since foundation:

Finland's last parliamentary elections were in 2011, and since then, the government has adopted 11 of the 13 recommendations from our 2011 Policy Platform. We are also responsible for Finland's first-ever national FDI attraction strategy, which is a result of a panel discussion that we held just prior to the 2011 elections. Much of this success is due to our well-known and respected brand. We're seen as the leading international community – not just the American chamber. Getting away from the strictly bilateral approach has really helped us to become the de-facto voice of international business, which has broadened our appeal in the market.



What have you found to be an effective approach?

We tend to have the most success on an issue when we start the conversation in the media, whether it's in the newspapers, on the radio, or through our own media. We also do our best to maintain a positive and non-partisan image, and make sure that we differentiate ourselves from typical industry associations. We only typically get involved in an issue if it has an international component – knowing when to stay on the sidelines is sometimes the most important thing.

What has not worked?

Arguments in favor of Finland's NATO membership. Although Finland is closely aligned with NATO and a member of the Partnership for Peace program, any

talk of eventual membership tends to be greeted with an emotional response that's rooted in Finland's history.

Historically speaking, what particular problems have faced businesses in your country?

Finland has always had a severe shortage of domestic investment capital. This continues to hold us back – especially when it comes to the development of innovative growth companies. The business culture tends also to favor Finnish companies over foreign affiliates, which hurts our ability to attract FDI.

Number one challenge facing Business today:

Slow growth and government austerity, both in Finland and the rest of Europe.



VITAL STATISTICS

Name of Chamber: AmCham Finland
When founded: 2005
Number of members (at foundation and currently): 50 at foundation, 300 currently
Mission statement: Our mission is to drive our members' business success through networking, advocacy, and critical business information.

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