



AMCHAM HUNGARY POSITION BRIEF No. IX

ELECTRONIC MANUFACTURING AS A PILLAR OF HUNGARIAN NATIONAL COMPETITIVENESS

August 2010

AMCHAM'S RECOMMENDATIONS

- Implement strategic and institutional recognition of the electronics manufacturing industry as the country's most significant manufacturing industry with the largest growth potential
- Harmonize the marketing of the nation's strengths to external stakeholders
- Introduce immediate changes to the labor code and social support legislation with the aim to motivate people to enter and/or re-enter the labor market and to allow industries to competitively and flexibly meet their workforce needs
- Harmonize goals, curricula and programs of educational institutions with the needs of the industry, with a mind to fill new jobs coming to Hungary
- Introduce readily-available industry-developed curricula into the vocational education program offered by mid and high-level institutions
- Maintain and promote research and development activities through direct means (taxation, funding) as well as indirect, educational and institutional means
- Promote foreign language skills through fast and efficient language programs and by making such skills an educational and governmental requirement
- Simplify and harmonize tax and customs regimes and processes with EU legislation
- Implement a foreign exchange rate target which takes into account the needs of the domestic manufacturing sector
- Reduce the national cost of energy through transparent legislation and efficient power supply growth
- Be ready and receptive for a shift of electronics manufacturing from various locations to Europe

SECOND TO NONE

Of the many industries that support the Hungarian economy, the electronics manufacturing industry has become the strongest pillar, due to its size as well as the countless contributions it makes to the nation's wellbeing, including developing educational and local culture, advancing technological and productivity levels, and contributing monetarily through almost 100% exports and the level of taxes paid. It is therefore a key element of the nation's future success.

The size of the industry is unquestionable, with

- direct employment of a little over 92,000* people, indirect employment of countless others, and providing direct and indirect support to domestic small and medium size enterprises;
- a contribution of more than 24% of national industrial manufacturing output, up to an estimated total 15% of GDP, and over 33% of the nation's exports in 2009 and early 2010;
- 170 mid- to large size companies present nationally.

The industry also brings many other advantages to Hungary, including

- fostering the highest level of technology and innovation at all levels of the economy and society, from bringing high level manufacturing and development processes to the nation's industrial sector, to exposing the workforce, SMEs and the educational system to technologically advanced production processes, innovation and an elevated business mentality;
- the transferred body of knowledge over the years has become one of the key competitive advantages that the Hungarian economy can build on;
- building local communities whether through direct charitable contributions, organization of social events, or simply by keeping families employed.

The industry will only continue to find a home here in Hungary provided conditions remain and become more favorable. With the rapid decisions that characterize the worldwide industry, the choice of which nations it favors can be made and changed in real time. To ensure Hungary remains the preferred provider, this position brief develops a set of rapidly implementable and medium- to long-term recommendations. Implementation will allow the industry to prosper within Hungary and will allow Hungary to continue to reap the benefits of this prosperity.

In a day and age when production and manufacturing may shift back to the European continent – due to complex factors such as rising costs of manufacturing and logistics associated with Far East production, and intellectual property and business environment concerns experienced in other countries – Hungary has only to gain by making itself the regional location of choice for electronics manufacturers.

* February, 2010 official Central Statistical Office data, covering NACE 2./TEAOR (08)
codes: 26XX, 2751, 2799, 2823, 2824, 2931, 3313, 9511, 9512 and 9521.

The Electronic Manufacturers' Committee of AmCham was established in 2006 with the goal to raise awareness of the industry's contribution to the Hungarian economy and to find areas of common interest in order to help increase the competitiveness of the country. Members are delegated from the following companies present in the Hungarian market with significant production facilities: Elcoteq, Flextronics Group, FoxConn, GE Healthcare, IBM DSS, Jabil, NI Hungary, Robert Bosch, Sanmina-SCI.

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THE INDUSTRY

In Hungary, there are well over 170 mid- to large-size multinational companies active in this industry

The Hungarian electronics manufacturing industry consists of electronics manufacturing service ("EMS") providers, original equipment manufacturers ("OEM") and other market participants. EMS providers manufacture products for various OEM's, using capacity allocation to utilize shared resources and therefore benefit the end customers. OEM's use their own invested assets to produce their own products for the market.

For the purposes of this analysis, we have included the manufacturing-, repair-, trade-, and service- operations of the following subsectors: the manufacturing of electronic components, computers and peripheral equipment (e.g. monitors, printers), communications equipment (e.g. mobile devices), consumer electronics (e.g. LCD TVs), of magnetic and optical media, domestic-appliances and consumer electronics, office equipment, motor-vehicle related electronic and electrical equipment, and other electronics equipment manufacturing.

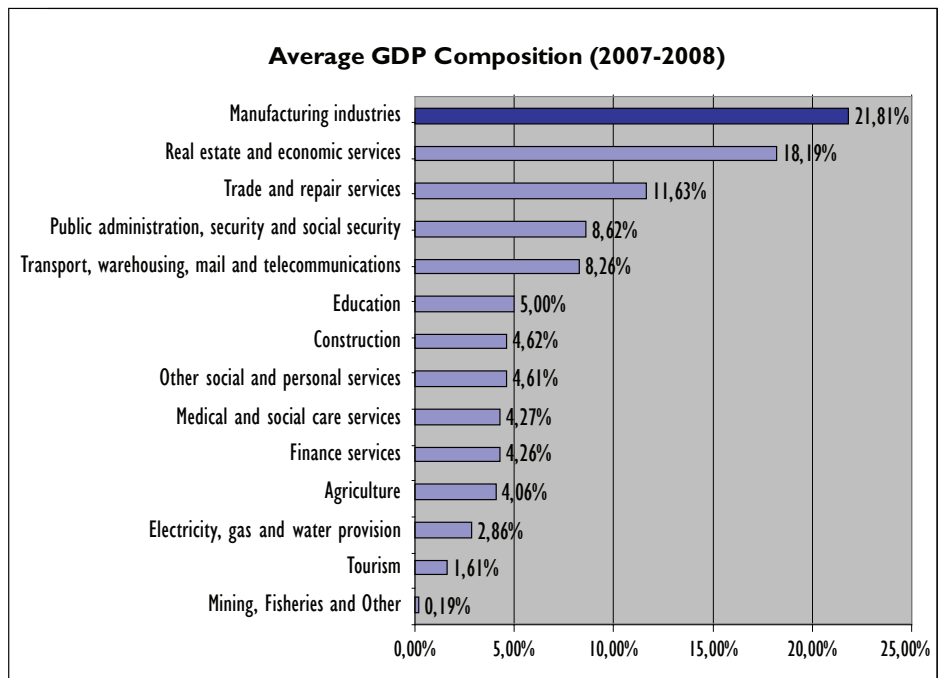
In Hungary, there are well over 170 mid- to large-size multinational companies active in this industry, such as Alpine, Bosch, Elcoteq, Electrolux, Flextronics, Foxconn, IBM, Jabil, National Instruments, Nokia, Philips, Samsung, Sanmina-SCI and Siemens – along with domestically headquartered participants such as Videoton.

Manufacturing industries as a whole are the most important direct contributors to the generation of the national GDP

Sector Importance and Size

To demonstrate the importance of the electronics manufacturing industry to the Hungarian economy, we begin by analyzing the direct contributors to the generation of Hungarian GDP. As demonstrated in the figure below, **manufacturing industries as a whole are the most important direct contributors to the generation of the national GDP.**

Graph 1

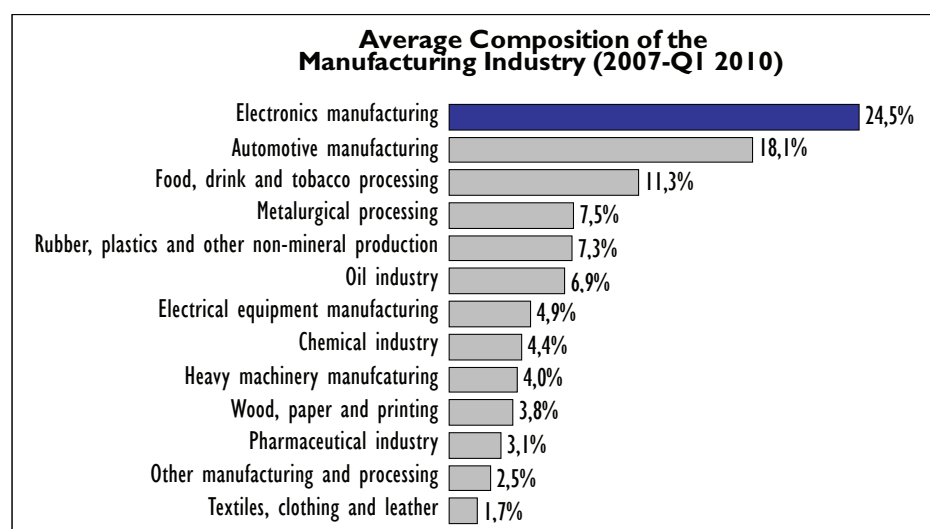


Source: Central Statistical Office

The most important industry is that of electronics manufacturing by far, accounting for over 24% of average industrial output

Within the manufacturing sector, we find that **the most important industry is that of electronics manufacturing by far, accounting for over 24% of average industrial output** over the recent years, as demonstrated on the next page, in Graph 2.

Graph 2



Source: Central Statistical Office

Given the data above, it is easy to derive that **the electronics manufacturing sector is the sole most important contributor to the Hungarian GDP** over the recent years.

The electronics manufacturing sector is the sole most important contributor to the Hungarian GDP

Graph 3

| Economic Sector | Percent Contribution |
|---------------------------|----------------------|
| Electronics Manufacturing | 5.34% |
| Construction | 4.62% |
| Agriculture | 4.06% |
| Automotive Production | 3.96% |
| Energy Provision | 2.86% |
| Tourism | 1.61% |

Source: Central Statistical Office

Of critical importance is to note that **manufacturing has spillover effects on other GDP generating sectors** – in a direct manner on sectors such as transport, electrical power consumption, and construction, and in an indirect manner on other sectors such as education, medical care and financial services – either through manufacturing companies directly ordering related services, or through the employment and additional spending that employees generate. Reports from the Washington-based National Association of Manufacturers* state that **“each dollar’s worth of manufactured goods creates another \$1.43 of activity in other sectors”**, which implies a manufacturing multiplier of 2.43.

There is a lack of available data for the Hungarian manufacturing multiplier but given that Hungary is a manufacturing intensive nation and the obvious spillover effects from manufacturing to other sectors, a 2.75 manufacturing multiplier would be a conservative proxy for estimating the total impact of the electronics manufacturing industry on Hungarian GDP – leading to a total impact of 15%.

The Electronics Manufacturing Committee recommends that **a government appointed body undertake an in-depth study to determine the exact manufacturing multiplier** applicable to this and other manufacturing industries, for the detailed elaboration of such a multiplier can have important policy setting implications.

Manufacturing has spillover effects on other GDP generating sectors

“each dollar’s worth of manufactured goods creates another \$1.43 of activity in other sectors”

A government appointed body should determine the exact manufacturing multiplier

*The National Association of Manufacturers, www.nam.org.

The electronic manufacturing industry is paramount, comprising an average of 32.2% of all exports

The electronics manufacturing industry has consistently employed over eight-five thousand employees in Hungary

Because **on average 75-80% of the production of these EMI companies is destined for export** – some are even exporting over 95% of their production – the significance of these manufacturers is often underestimated. From all manufacturing sectors, the **electronic manufacturing industry is paramount, comprising an average of 24,5% of all Hungarian manufacturing industrial output and an average of 32.2% of all exports** over the period from 2007 to the 1st quarter of 2010.

Thanks to its well-qualified workforce and favorable economic policies, Hungary has been extremely successful in attracting major electronics manufacturing companies in the past years and has become one of the leaders in electronics manufacturing within the CEE region. It is worthy to note, however, that this trend may easily reverse if Hungary will not meet the competitive, infrastructural and other future needs of the electronics manufacturing industry.

Market dynamics

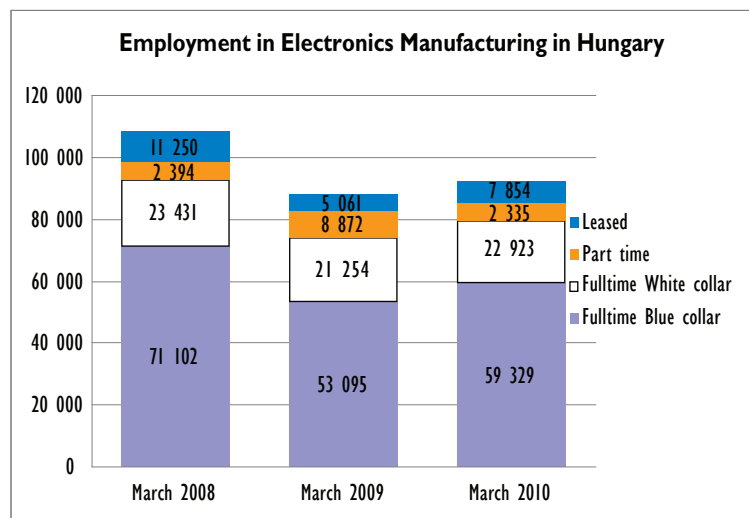
Among the manufacturing sectors in Hungary, the electronic manufacturing industry possesses a unique dynamism. The companies in this sector compete for orders globally and they need to react quickly and manage their workforce and production capacity in very short cycles.

While market dynamism is oftentimes frustrating to nations and communities in which the electronics manufacturing industry operates, it is critical to highlight that this dynamism not only allows for successful and speedy recoveries from downturns, but is instrumental in the rapid adoption of new and productive manufacturing methods. **This type of market dynamism requires government policies, i.e. accountability and response times, which are congruent with the business needs of the industry.** To foster the presence of the electronics manufacturing industry within the domestic economy, the principles of **flexibility must also be instilled in the regulations governing workforce participation and employment.**

The workforce

Even though the recent economic downturn has had a negative effect on employment numbers, the fact remains that **the electronics manufacturing industry has consistently employed over eight-five thousand employees in Hungary.** The work environment in this sector has three unique characteristics: a) establishment of a high-performance, high-standard work culture and environment by multinational companies – oftentimes in economically challenged regions of the country, b) the offering of employment opportunities to people with a wide range of educational backgrounds, and c) the enablement of flexible working conditions for thousands of temporary workers.

Graph 4



Source: Central Statistical Office

Know-how transfer

The multinational companies that have come to Hungary to establish plants have invested greatly into transferring their know-how to this segment of the Hungarian workforce. The availability of such a skilled and experienced workforce has become a key competitive advantage of Hungary – with spillover effects from the electronics manufacturing industry to other Hungarian industrial sectors.

It is estimated that – in addition to the currently employed - there are well over 100,000 people in Hungary who have profited from the skills they gained whilst working in the industry and carried it over to other domestically-present industries.

Opportunities for blue-collar and white-collar workers

A unique characteristic of the electronics manufacturing industry is that it offers employment to people with greatly varying levels of education and training. This is possible due to the wide range of services that companies in this sector provide. Low value-added activities such as assembly were among the first services to be offered by the Hungarian-based electronics manufacturers. However, over the years, by continuously investing in their operations, the range of services offered by the companies has been able to grow. **Companies have started offering higher value-added activities to the market** (e.g. original electronics design, research, testing, production, logistics and after-sales services), **thereby creating a wider range of employment opportunities. Thanks to this dynamic, the electronics manufacturing industry has become an attractive employer of not only trained workers, but also of highly educated engineers within Hungary.**

Temporary agency workers

Fluctuating market demand requires great flexibility from manufacturers in regard to how they manage their workforce. Hundreds of workers need to be mobilized and allocated to production lines during peak production periods to maximize productivity and profit. To secure the necessary number of production workers, electronics manufacturers lease temporary workers from contracted agencies. Leasing temporary workers allows companies to outsource HR management tasks such as recruiting, screening, and administration for leased employees (e.g. payroll, benefits).

The trends concerning employment of temporary workers mirror the nimble nature of the market and also translate the resilience of the industry after downturns. **Temporary and agency employment systems rely on a flexible labor code, which promotes part-time employment solutions. Underpinning an effective temporary and agency employment system, which is essential to the operation of the electronics manufacturing industry, is workforce mobility – a concept which must be promoted at local and regional levels through enablement of cheap, easily accessible transportation as well as through motivating employees to be willing to relocate within the nation.**

Education

Before setting up companies, two of the key decision factors that electronics manufacturing companies consider are the quality of electronics-related education in Hungary, and the availability of experienced and well-trained technicians and engineers within the region. By adopting a long-term perspective, many **companies have over the years built strong relationships with educational institutions** that they rely on for training their future workforce. Companies have contributed by sponsoring student scholarships, donating equipment and machining tools, or with direct monetary donations to the schools.

Through cooperation between industry and local, as well as national educational institutions, transfer of knowledge in this dimension has been established. Support of educational institutions has taken on many forms – from industrial experts teaching at universities, through joint development of curriculums, to the coordinated use of the vocational contribution tax. Students not only benefit from the presence of these companies through collaboration with educational institutions, but also by gaining practical skills as trainees working for these companies. **The competitiveness of the domestic electronics manufacturing industry and the Hungarian economy is dependent upon the openness to and rapid acceptance of all (new) forms of know-how transfer.**

A skilled and experienced workforce has become a key competitive advantage of Hungary

The electronic manufacturing industry has become an attractive employer of highly educated engineers within Hungary

Essential to the operation of the electronics manufacturing industry, is workforce mobility

Companies have over the years built strong relationships with educational institutions

The competitiveness of the domestic electronics manufacturing industry and the Hungarian economy is dependent upon the openness to and rapid acceptance of all (new) forms of know-how transfer

Electronics manufacturing companies have become an integral part of their local communities

Local communities

Wherever they have established production facilities, **electronics manufacturing companies have become an integral part of their local communities. Often they are the biggest employers in the surrounding region.** This results in spill-over effects, where direct employment generates more employment throughout the region. Not only have these companies formed close ties with local educational institutions, but they have also contributed to the welfare and culture of the towns and cities in which they operate. Donations for town development purposes, to hospitals needing equipment, to local cultural events, and to the local sports clubs have frequently been provided. Although some progress has been made in the **establishment of a project-oriented work ethic in the governmental administration of local communities**, electronics manufacturers are looking for greater advancement in this field in order to maintain and elevate the competitive landscape of Hungary.

The Hungarian electronics manufacturing sector can competitively define itself as a lower-cost producer delivering similar manufacturing productivity, efficiency and know-how as experienced in Western countries

FUTURE PERSPECTIVES

The Hungarian economic landscape has experienced many changes in the recent past, with varying degrees of emphasis on attracting foreign investment. The Hungarian government used to assist electronics manufacturers in settling in Hungary by providing tax allowances and infrastructural development.

In the recent past, Hungary has experienced significant economic volatility and the direction the country should take has been unclear. This has affected the electronics manufacturing industry in a number of negative ways, including a rising tax burden, an unstable currency and shortages of workers due to unfavorable social support systems. The labor costs in Hungary are still significantly lower as compared with Western European countries, but they are significantly higher than those experienced further east and in the Far East in particular.

Notably, the Hungarian electronics manufacturing sector can competitively define itself as a lower-cost producer delivering similar manufacturing productivity, efficiency and know-how as experienced in Western countries, whilst providing for higher reliability and quality of service, as well as proximity to market than providers in the East, especially the Far East. Even as labor costs will tend to rise in the coming years, the Hungarian electronics manufacturing sector needs to capitalize on its comparative advantage vis-à-vis other Western countries and use this foothold to establish higher value-added production domestically.

Hungarian electronics manufacturing industry has not felt the level of decrease as experienced by other industries

Overall economic climate

The electronic manufacturing industry all over the world has felt the effects of the demand crisis brought on by financial market turmoil. However, given the rapid dynamics of the industry and a diversified customer base, it must be noted that the **Hungarian electronics manufacturing industry has not felt the level of decrease as experienced by other industries, and production figures prove that it is obviously moving towards a faster recovery.** Currently, electronics manufacturing is being pulled in a positive direction due to the improving, although still not yet stabilized status of the global economic environment.

Major present trends in the ICT sector suggest future growth for the electronics manufacturing industry

Industry forecasts

Although the financial and economic crisis has reduced world production of electronics devices and has resulted in excess capacity, most analysts are now cautiously predicting a mild recovery of the industry, mainly driven by the rapid growth in Asia and the favorable news coming out of the United States.

Major present trends in the ICT sector suggest future growth for the electronics manufacturing industry. Computing devices are getting cheaper and are becoming more affordable to people with lower incomes. Internet use is growing, not just for households, but also for mobile users equipped with 3G and 4G mobile devices. Also, it is not only the well-developed countries that are demanding mobile communication devices, but also developing nations where no prior landline infrastructure existed and mobile telecommunications systems are the only available option.

Embedded systems used to control processes have become commonplace in the industrial manufacturing sector: For example, a growth in the automotive sector or the renewable energy sector stimulates a demand for control electronics, thereby raising demand for designing and manufacturing such systems.

Industry trends have increased the need for high-level product and system configuration work to be performed, even on those items, which are originally manufactured in the Far East. This need, along with advanced warehousing, repair and related service needs of customers, has **increased the logistics requirements placed on electronics manufacturing companies**. Many companies are already equipped to provide this service and this will have to become an **increasingly larger part of their service offering in the future. Hungary is well placed logistically to serve the European and surrounding regional markets**. The combination of this trend with the increasing service levels demanded of electronics manufacturers and Hungary's natural position lead to a competitive advantage, which should be built upon.

The dynamic momentum of the electronics manufacturing industry has tangible benefits for the world economy. **Rapid recovery evidenced by the industry can serve as a diversification mechanism for the slower cyclical pattern of other industries. From a Hungarian perspective, the country will only be able to reap the benefits of this potential if it maintains and improves its competitive position in attracting new business.**

REMOVING THE BARRIERS FOR SUCCESS-AMCHAM'S RECOMMENDATIONS

AmCham's Electronics Manufacturing Committee has therefore developed a set of recommendations, some of them rapidly implementable (see also the box on the front page), others for the medium- and longer-term.

Strategic importance of Electronics Manufacturing

An industry sector that in the recent years contributed 15% of the national GDP of a country and over 30% of its manufacturing export output must receive greater attention in the nation's strategic goal setting process. Hungary has a favorable geographic position within Europe and has excellent infrastructure to serve as an electronics manufacturing powerhouse. Tens of thousands of workers already possess the skills to support this industrial sector and thousands of students studying in schools throughout the country are being trained to join the workforce of companies located domestically or that have yet to establish bases within the region. **For a sector of such significance, the government should declare it a strategic industry for Hungary and coordinate the activities of the companies and the related ministries effectively so that both industry and the nation mutually benefit from this sector's growth**. The electronic manufacturing industry is also uncannily dynamic. It is necessary for companies in this sector to follow the demands of their clients with short production cycles. Therefore it is **necessary for the government to be aware of this sector's special needs and requirements and make the legislative environment highly flexible, so that manufacturers can accommodate the short business cycles of their partners**.

Long term planning

The long-term future of the electronics manufacturing industry in Hungary can be interpreted along multiple dimensions. An important distinction should be made between supporting the long-term future of the industry within the country and the support of individual projects. **The long-term and stable presence of the industry is assured via a competitive, infrastructurally supportive and transparent business environment**. The short-term time frame may be affected by the rapid cycle time of the industry. Even in this regard, **government can support the industry by introducing subsidies and grant contracts tailored to reward the proportional contribution of a particular project** rather than any long-term commitments which individual projects may not be able to meet.

Hungary is well placed logistically to serve the European and surrounding regional markets

Rapid recovery evidenced by the industry can serve as a diversification mechanism for the slower cyclical pattern of other industries

For a sector of such significance, the government should declare it a strategic industry

Government can support the industry by rewarding the proportional contribution of a particular project

Exchange rate targets should consider the competitiveness of Hungarian domiciled companies and industries

Competitiveness of a nation's tax, customs and regulatory compliance system depends on the simplicity of compliance as well as the harmonized and uniform interpretation of laws

Modification of social support legislation is needed to encourage people to enter the workforce

The Government should also proactively promote transparency and work towards increasing the efficiency of bureaucracy

Currency risk

The Electronics Manufacturing Committee of AmCham realizes that a number of priorities must be considered when contemplating exchange rate targets, including the nation's ability to service its debts (both public and private), the inflation rates experienced within the economy, etc. It is critical, however, that **exchange rate targets also consider the competitiveness of Hungarian domiciled companies and industries, especially in light of the fact that the Hungarian economy is an export driven economy.**

Tax, customs and regulatory compliance

The **competitiveness of a nation's tax, customs and regulatory compliance system depends** not only on the level of fees which domestic market participants must pay, but also **on the simplicity of compliance as well as the harmonized and uniform interpretation of the laws by governmental and regulatory participants.** Concretely, this translates into the following recommendations:

- Reduction and simplification in the number of taxes to be paid and administered, for example the unnecessary complexity of the environmental product fee
- Harmonized interpretation of tax and customs laws by all local, central and supra-national authorities
- Timely audit procedures performed by regulatory agencies
- A wage- and income-tax burden that is at least geographically competitive

Finally, on a medium-term basis, the tax, customs and compliance culture of the agencies and regulatory bodies responsible for enactment and enforcement must transition from a punishment-based paradigm to a supportive, business-friendly culture.

Transparency in the energy market

Aligned with the recommendations made by the AmCham Energy and Environment Committee, we recommend the institution of a transparent and consistent legal and institutional framework to promote market competition and the reduction of cross subsidization, along with an emphasis of energy efficiency. The goal of these actions should be that the **cost of energy becomes competitive regionally**, especially taking into consideration the energy intensive nature of the electronics manufacturing industry.

Labor market competitiveness

The revamping of the Hungarian Labor Code and social security legislation is critical to ensure the competitiveness of the electronics manufacturing industry. This revamping should be performed along the following lines:

- Changing the Hungarian Labour Code to **favor flexible employment solutions and to allow the industry to competitively meet its workforce needs**, including the promotion of part-time employment solutions, raising caps on weekly and monthly overtime to more competitive levels, making back-to-work programs more easily accessible and flexible, and removing rigidities in the labor code to allow employers to meet seasonal fluctuations of demand
- **Modification of social support legislation to encourage people to enter the workforce and the implementation of effective back-to-work programs** to promote the hiring of people by companies

Address corruption and bureaucracy

As the major export oriented industry of the nation, electronics manufacturers are prime agents in transmitting the image of the country to foreign entities and market participants. In the 2009 annual report by Transparency International, Hungary was ranked 5.1 on the Corruption Perceptions Index. With this score, Hungary was ranked 46th, behind most Western European countries, which are the countries providing the bread and butter of the domestic industry. Needless to say, the better the image and the higher rankings Hungary achieves with respect to its cleanliness in terms of corruption, the easier it becomes to promote foreign direct investment. **The Government should also proactively promote transparency and work towards increasing the efficiency of bureaucracy involved with running a company in Hungary.**

Improve English language skills

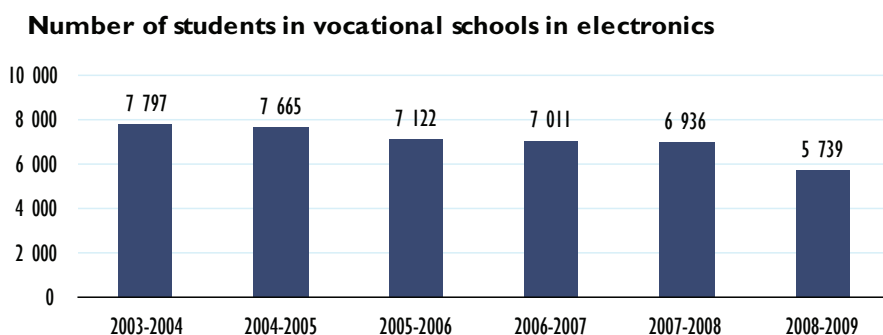
Improving the level of English language education in vocational schools and universities is highly important for electronics manufacturers. Freshly graduating students and experienced managers who come into contact with these companies are expected to be up to date with the most recent technological advancements and need to be able to communicate with their international colleagues on a daily basis. There are unnecessary costs and delays incurred by companies if the onus is on them to continuously translate training materials, equipment user manuals, managerial memos, etc. for employees. English language knowledge and education has a significant role in keeping Hungary competitive, therefore **high quality language training in educational institutions should be promoted and motivated.**

High quality language training in educational institutions should be promoted and motivated

Increasing vocational student numbers in electronics

Unfortunately the number of students attending vocational schools in electronics has been decreasing over the past years, as illustrated in the figure below.

Graph 5



Source: Hungarian Ministry of Education and Culture

Many technical schools have closed. This has led to a decrease in the availability of a skilled workforce, forcing electronics manufacturing companies to introduce their own programs in which they internally train the newly hired inexperienced employees at their own expense. This increases their costs, and reduces competitiveness. **In order to raise the volume and level of value-added services that electronics manufacturers can offer, we believe that it is critical to introduce the readily-available industry developed educational curriculum into the program offering of mid-level institutions.** As an example, the members of the AmCham Electronics Manufacturing Committee have developed an SMT (Surface Mount Technology, the most commonly used technology of these companies) operator-training program, which can serve as a basis for curriculum development by educational institutions.

Critical to introduce the readily-available industry developed educational curriculum into the program offering of mid-level institutions

Fostering innovation, pragmatism and knowledge within education

A cornerstone of improving productivity and the ability of the country to deliver higher value-added production and services rests upon emphasizing the natural sciences from an early age onwards and making the engineering disciplines attractive to young students when they make their career choices. **The culture of innovation and pragmatism must accompany students throughout their years spent in educational institutions.** This culture is best developed through an approach in which these institutions, the government and industry are all invited and encouraged to harmonize their requirements and the educational curricula presented to students. The creation of regional competency centers in the fields of training, testing, design and embedded technology would provide a healthy supplement to the achievement of the above goals.

Beyond these requirements, educational institutions have immense contributions to make to basic skill sets such as a sound work ethic, foundations of financial planning and a structured method of thinking. As these skill sets are developed and combined with the subject matter disciplines, they foster both the students' entrepreneurial spirit and their ability to work within process oriented environments. The responsibility rests upon the industry, government and technical experts to **develop a regular forum to promote the development of the nation's institutions in a manner to emphasize this trait within our educational system.**

Develop a regular forum to promote the development of the nation's institutions

The long-term future of the industry is dependent upon the partial reinvestment of benefits received

CONCLUSIONS

The Hungarian nation reaps the benefits of the electronics manufacturing business' presence on a daily basis – through the people it employs, through the communities it supports, through the educational level it promotes, through the culture it brings and through the taxes it pays. Although a win-win situation requires that the nation has a positive balance in the benefits it receives from the industrial presence, **the long-term future of the industry is dependent upon the reinvestment of a part of those benefits received** to ensure that the country remains an ideal choice for the industry. In this respect, the country has to work proactively and in a forward-looking manner with the industry to size up the requirements and to ensure that it actually anticipates and solves the business problems and challenges that the industry will face within Hungary's borders within the future. This position brief highlights areas where all affected stakeholders should cooperate to start laying the foundations for meeting tomorrow's needs of the electronics manufacturing industry.

*On behalf of the Electronics Manufacturers' Committee of AmCham Hungary I would like to express my thanks to the representatives of the following member companies of the Committee who have contributed with their thoughts and suggestions to this document: Elcoteq, Flextronics Group, FoxConn, GE Healthcare, IBM, Jabil, NI Hungary, Robert Bosch, Sanmina-SCI. **Special thanks to Mr. Peter Flamank and Mr. Gábor Blaskó of PricewaterhouseCoopers, Mr. Márk Hetényi, Regional Finance Director of the Flextronics Group and Mr. Gábor Papp former Vice President of Sanmina-SCI for their vital role in authoring this Position Brief.***

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