Doing Business in Hungary: 2011 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Hungary

Market Overview Return to top

Hungary is located in Central Eastern Europe with an approximate population of 10 million, and has fully transitioned from a centrally planned economy to a market-based one since the fall of communism in 1989. It is a member of the OECD (1996), NATO (1999) and the European Union (2004). Per capita income is nearly two-thirds that of the EU-25 average and total GDP is US$182 billion. The private sector accounts for more than 80 percent of GDP. Hungary's strategic location in Europe, access to EU markets, highly skilled and educated work-force, and sound infrastructure have led companies such as GE, Alcoa, Morgan Stanley, IBM and many others to locate facilities here, both in manufacturing and services. Currently, there are 2000 partially owned, and 128 wholly owned US companies operating in Hungary. Many of these companies find that Hungary's geographic position in Central Europe offers a strategic logistical hub within the region.

Foreign direct investment (FDI) in Hungary has helped modernize industries, create jobs, boost exports and spur economic growth. Cumulative FDI stock has totaled more than US $90 billion since 1989, the highest in the region on a per capita basis. Among the important sectors: automotive, IT, logistics and, more recently, shared services (e.g., back office and/or call center operations). All told, American companies have invested more than $9 billion in Hungary since 1989, making the U.S. the 4th-largest foreign investor behind Germany, Austria and the Netherlands. Meanwhile, U.S. exports to Hungary have topped US$1 billion dollars in each of the last five years, led by IT equipment, automotive components, industrial engines and other manufacturing supplies.

For a complete listing of the most promising industries, please see Chapter 4, Leading Sectors for U.S. Export and Investment.

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The U.S. Government – through Embassy Budapest and the Departments of Commerce, State, and Agriculture – stands ready to support U.S. firms, whether entering or already doing business in Hungary. The U.S. Embassy promotes a sound Hungarian business environment and advocates on behalf of U.S. companies bidding on major Hungarian Government tenders or facing business problems due to government policies. In addition, the staff of U.S. Officers and Hungarian Commercial Specialists at the Embassy's U.S. Commercial Service (USCS) can help U.S. firms to access the Hungarian market and solve commercial problems through cost-effective service programs and market research.

For more information, please refer to Chapter 3, Selling U.S. Products and Services, and visit the USCS Budapest website, http://www.buyusa.gov/hungary/en/

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/26566.htm

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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A local agent or distributor is recommended in those instances when establishing a direct sales or production subsidiary in Hungary is not feasible or financially not justified. In selecting a representative, U.S. companies should consider their ability to: cover the entire Hungarian market, manage price-setting, oversee sales channels, conduct advertising and marketing, manage operational expenses, and offer after-sales service. U.S. companies must ensure their agreements with local representatives comply both with local and EU laws and regulations.

A new authority will be established in January 2011 – Hungarian Foreign Economy Directorate (Nemzeti Kulgazdasagi Hivatal) – which will replace the former Investment and Trade Development Agency (ITDH). The duty of the new directorate is to help Hungarian SMEs with business development services such as export promotion abroad as well as enhance foreign direct investments into Hungary.

Companies both from overseas and from other parts of Europe often maintain control of operations in Hungary through partially or wholly owned subsidiaries. Hungary also has many experienced and capable independent distributors. The Hungarian representation offices are typically small to medium-size (5 to 49 employees) and communicate with clients through e-mails and websites (increasingly in English) rather than brochures.

Distributors in Hungary can provide strategic support in positioning brands for the local market through advertising and promotional campaigns. Given their familiarity with local culture and business customs, distributors can also assist with after-sales service, which helps the U.S. firm's image. Citing heavy trading competition and Hungary's relatively small market, many distributors will negotiate for exclusivity, but U.S. firms can successfully insist on conditions for exclusivity or other concessions. Major European trade fairs are well attended by Hungarian trading companies, and can be good places to look for distributors. A direct link to upcoming trade events for 2011 can be found in Chapter 9.

Hungarian SMEs often prefer the role of distributor for foreign firms, while private entrepreneurs prefer to act as agents on behalf of their international partners. Agents act on behalf of the U.S. exporter, but do not take the ownership of goods or assume financial risk. Agents generally work on a commission basis. Although the rate varies by industry, agents in Hungary typically earn a 5 to 7 percent sales commission depending on the value and nature of the product. Stocking distributors expect higher margins. The use of agents is more common in sectors where capital and technical expertise is paramount, such as machining, automation, tooling, and heavy industry.

U.S. companies are advised to meet personally with prospective agents to ensure all legal obligations are understood before signing an agreement. Note that a legally binding document can be in English or Hungarian, but in the event of commercial or tax dispute, an authenticated Hungarian version is the governing document.

Through its pre-screened, customized contact list or the International Partner Search or Gold Key Service, U.S. Commercial Service Budapest (http://www.buyusa.gov/hungary) can provide a head start to firms seeking a distributor or agent in Hungary.

EU REGULATIONS

Companies wishing to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with EU and member state national laws. Council Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the rights and obligations of the principal and its agents; the agent's remuneration; and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts.

Key Link:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of "vertical agreements." U.S. small- and medium-sized companies (SMEs) are exempt from these regulations because their agreements likely would qualify as "agreements of minor importance," meaning they are considered incapable of affecting competition at the EU level but useful for cooperation between SMEs. Generally speaking, companies with fewer than 250 employees and an annual turnover of less than €50 million are considered small- and medium-sized undertakings. The EU has additionally indicated that agreements that affect less than 10 percent of a particular market are generally exempted as well (Commission Notice 2001/C 368/07).

Key Link:

http://eurlex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf

The EU also looks to combat payment delays with Directive 2000/35/EC which was reviewed in 2010. The existing text, as amended, covers all commercial transactions within the EU, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this Directive. In sum, the Directive – as amended - entitles a seller who does not receive payment for goods and/or services within 30 days of the payment deadline to collect interest (at a rate of 8 percent above the European Central Bank rate) as well as 40 Euro as compensation for recovery of costs. For business-to-business transactions a 60 day period may be negotiated subject to conditions. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs.

Key Links:
http://ec.europa.eu/enterprise/policies/single-market-goods/documents/late-payments/index_en.htm
http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0374+0+DOC+XML+V0//EN&language=EN#BKMD-20

Companies' agents and distributors can take advantage of the European Ombudsman when victim of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights. In addition, SOLVIT, a network of national centers, offers online assistance to citizens and businesses who encounter problems with transactions within the borders of the single market.

Key Links:
http://www.ombudsman.europa.eu/home/en/default.htm
http://ec.europa.eu/solvit/site/about/index_en.htm

Franchising Return to top

Currently, there are approximately 300 franchise operations in Hungary, half of which are foreign-owned. The U.S. hamburger chain McDonald's can be considered the "king" of fast-food franchisors in Hungary and Central Europe, as it has pursued a very successful transnational strategy. Others that have found success in the Hungarian market include Kentucky Fried Chicken, Burger King, Eastman Kodak, Curves, car rental companies Hertz, Avis and Budget, and porcelain refinishing franchisor Kott Koatings are also well established. The Re/MAX real estate franchise began to build its Hungarian network in 2006. CrestCom (management training) and FasTracKids (children's education) franchises have also settled in Hungary. There have also been some franchising retreats from the Hungarian market, due to different tastes and practices in the Hungarian market. Dunkin' Donuts, Wendy's and New York Bagel are examples of U.S. companies with a short-lived presence in Hungary. Relatively high interest rates and limited access to capital force successful franchisors to modify the typical American model to succeed in Hungary. McDonald's, the most successful and popular fast food franchisor in Hungary, uses multiple franchising techniques, often acting as – in essence – a real estate developer, purchasing land and buildings and assigning a partner to run and manage its restaurants. Another franchising technique frequently used involves the purchase of a master franchise by a company or group of private investors, who then own and operate most or all of the outlets. This is the model used by Burger King, Pizza Hut, and Kentucky Fried Chicken.

According to industry experts and Post's experience, selling sub-franchises, providing financing, setting lower master franchise fees and/or using foreign master franchisees are keys to success in the Hungarian market. Franchising is still relatively underdeveloped, compared to American or Western European standards. As a proportion of the retail sector, Hungary lags considerably behind the United States, Japan, and the rest of the EU. Relatively inefficient delivery of goods and services and a developing middle class suggest that there are significant, growing opportunities in franchising.

There are no special legal requirements for franchises in Hungary. The same regulations and policies apply to set up a franchise or to establish a company. Membership in the Hungarian Franchise Association is recommended but not obligatory.

EU REGULATIONS

U.S. businesses looking to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general. There are a number of laws that govern the operation of franchises within the EU, but these laws are fairly broad and generally do not constrain the competitive position of U.S. businesses. The potential franchiser should take care to look not only at the EU regulations, but also at the local laws concerning franchising.

Direct Marketing Return to top

Direct marketing is an accepted business practice in Hungary, as in other EU countries. The Association of Direct Selling (DSA) (http://www.dsa.hu), founded in 1993, promotes direct selling and also works to protect consumer interests in Hungary. In 1995, DSA Hungary adopted the European Codes of Conduct, a set of guidelines aimed at ensuring the satisfaction and protection of consumers, promoting fair competition in the framework of free enterprise, and enhancing the public image of direct selling. The group's Code states that DSA members must allow consumers eight days to get reimbursed should they change their mind about a purchase. DSA is a member of the Federation of European Direct Selling Associations and the World Federation of Direct Selling Associations. DSA Hungary has thirteen members: AMC, Amway, Avon, GNLD International, Herbalife, Sunrider, Flavon, Nu Skin Enterprises, Lux, Oriflame, Tiens Hungary, Tupperware, and Zepter.

While associations such as DSA undertake their own efforts to protect consumers, Hungary also has consumer protection law (Act CLV of 1997 and Government Decree 370/2004) and a general Inspectorate for Consumer Protection (http://www.fvf.hu). According to the law, consumers must be properly informed about prices, quality, instructions for the use of goods and any hazards associated with such use, and delivery and packaging costs at the site of the sale. If these regulations are violated, the consumer may seek legal redress against the manufacturer, distributor, or direct marketer. Customers generally have the right to return goods without explanation within seven calendar days, and have the right to a full refund or appropriate exchange within 30 days, where provided for by contract. Promotional literature or mailings may not contain deceptive or misleading product descriptions, claims or illustrations and must include the name and address or telephone number of the company. E-mail sales efforts should be clearly identifiable to the consumer when received, and recipients can opt-out of future solicitations. When an order is placed, the service provider must quickly acknowledge receipt via email. The law does not cover the sale of goods at markets, fairs, and other public places.

Direct marketing agents may not visit potential customers at their homes after 7:00 pm and before 9:00 am without prior notification and consent. The agent must prove identity by presenting a delegation authority or ID card.

EU REGULATIONS

There is a wide range of EU legislation that impacts the direct marketing sector. Compliance requirements are stiffest for marketing and sales to private consumers. Companies need to focus, in particular, on the clarity and completeness of the information they provide to consumers prior to purchase and on their approaches to collecting and using customer data. The following gives a brief overview of the most important provisions flowing from EU-wide rules on distance-selling and on-line commerce. It is worth noting that the EU is currently overhauling its consumer protection legislation (a merger of four existing Directives into a single rulebook - "the Consumer Rights Directive" – was tabled and will be examined in 2011).Companies are advised to consult the information available via the hyper-links, to check the relevant sections of national Country Commercial Guides, and to contact the Commercial Service at the U.S. Mission to the European Union for more specific guidance.

Distance Selling Rules

The EU's Directive on Distance Selling to Consumers (97/7/EC and amendments) sets out a number of obligations for companies doing business at a distance with consumers. It can read like a set of onerous "do's" and "don'ts," but in many ways, it represents nothing more than a customer relations good practice guide with legal effect. Direct marketers must provide clear information on the identity of themselves as well as their supplier, full details on prices including delivery costs, and the period for which an offer remains valid – all of this, of course, before a contract is concluded. Customers generally have the right to return goods without any required explanation within seven days, and retain the right to compensation for faulty goods thereafter. Similar in nature is the Doorstep Selling Directive (85/577/EEC) which is designed to protect consumers from sales occurring outside of a normal business premises (e.g., door-to-door sales) and essentially assure the fairness of resulting contracts.

Key Links:

Consumer Affairs Homepage:
http://ec.europa.eu/consumers/index_en.htm

Distance Selling:
http://ec.europa.eu/consumers/cons_int/safe_shop/dist_sell/index_en.htm

Door-to-Door Selling:
http://ec.europa.eu/consumers/cons_int/safe_shop/door_sell/index_en.htm

Distance Selling of Financial Services

Financial services are the subject of a separate directive that came into force in June 2002 (2002/65/EC). This piece of legislation amends three prior existing Directives and is designed to ensure that consumers are appropriately protected with respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the Directive establishes criteria for the presentation of contract information. Given the special nature of financial markets, specifics are also laid out for contractual withdrawal.

Key Link:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0065:EN:NOT

Direct Marketing over the Internet

The e-commerce Directive (2000/31/EC) imposes certain specific requirements connected to the direct marketing business. Promotional offers must not mislead customers and the terms that must be met to qualify for them have to be easily accessible and clear. The Directive stipulates that marketing e-mails must be identified as such to the recipient and requires that companies targeting customers on-line must regularly consult national opt-out registers where they exist. When an order is placed, the service provider must acknowledge receipt quickly and by electronic means, although the Directive does not attribute any legal effect to the placing of an order or its acknowledgment. This is a matter for national law. Vendors of electronically supplied services (such as software, which the EU considers a service and not a good) must also collect value added tax (see Electronic Commerce section below).

Key Link: http://ec.europa.eu/internal_market/e-commerce/index_en.htm

Joint Ventures/Licensing Return to top

Joint Ventures: In Hungary, the term “joint venture” commonly refers to any type of business association or company established under Hungarian law that is partially or wholly foreign-owned. It is important to note that a “joint enterprise” under the Company Act is an entirely different entity.

Hungary’s Foreign Investment Act of 1988, which applies to joint ventures, protects foreign investment, provides national treatment, and enables profit repatriation. For more information about joint ventures, visit the website of the Hungarian Joint Venture Association at http://www.jointventure.hu/en/index.html

Licensing: Paragraphs 27-30 in Section III of the Patent Act (No. XXXIII of 1995) govern license agreements relating to patents, designs, and utility models. Agreements on trademarks are governed by paragraphs 23-26 in Section IV of the Trademark Act (No.

XI of 1997). Patent attorneys who can draft license agreements and take steps to record a license in the register of the Hungarian Patent Office can be found at:

Hungarian Bar Association: http://www.magyarugyvedikamara.hu/tart/index/130/1
Budapest Bar Association: http://www.bpugyvedikamara.hu/main_page/
Hungarian Intellectual Property Office: http://www.hipo.gov.hu/English/

Selling to the Government

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Hungary's Act CXXIX on Public Procurement of 2003 was last modified in September, 2010. A new public procurement law is being drafted and is expected to be passed in first half of 2011. The current law regulates only the various forms of procedures, however, the national thresholds are always contained in the actual Budget Law. In case of a general, simplified procurement, from January 1 through December 31, 2011, the national threshold for procurement of goods will remain at 8 million HUF (Hungarian Forints), which amounts to approximately USD 40,000. For construction, it is HUF 15 million (USD 75,000), and for services, HUF 8 million (USD 40,000). The national threshold for construction concession amounts to HUF 100 million (USD 500,000) and HUF 25 million (USD 125,000) for services concession.

In case of special simplified public procurement, the national thresholds remained unchanged: HUF 50 million (USD 250,000) for procurement of goods and services, and HUF 100 million (USD 500,000) for construction investments.

The EU thresholds require open tenders (published in TED – Tenders Electronic Daily) for purchases of goods and services (except in R&D and telecom) exceeding € 125,000 (about USD 168,750) when procured by Hungary's Ministries, the Prime Minister's Office, or the Centralized Public Procurement Agency (CPA). For all other central or local government institutions, the open tender threshold for goods and services is €193,000 (about USD 260,550). For construction and construction concession, the threshold is €4,845,000 (approx USD 6,540,750) regardless of which public entity.

Hungary's CPA serves over 1,000 institutions that receive financing from the Hungarian central budget. The CPA generally requires procuring agencies to select from a centralized list of specific products and vendors. Tender announcements and decisions by Hungary's Commission of Arbitrators are published weekly in the Kozbeszerzesi Ertesito (Public Procurement Review) at http://www.kozbeszerzes.gov.hu (Hungarian only). The Law on Public Procurement and related regulations, as well as Hungary's list of certified suppliers for public procurement projects, can be found at this Hungarian language website.

Key Links:
TED –Tenders Electronic Daily, Official Journal of the European Union
http://ted.europa.eu/Exec?Template=TED/editorial_page.htm&DataFlow=ShowPage.dfl&StatLang=EN
Public Procurement Review www.kozbeszerzes.gov.hu

EU REGULATIONS

The EU public procurement market, including EU institutions and member states, totals around EUR 1,600 billion (USD 2,160 billion). This market is regulated by three Directives:

- Directive 2004/18 on Coordination of Procedures for the Award of Public Works, Services and Supplies Contracts, and

- Directive 2004/17 on Coordination of Procedures of Entities Operating in the Utilities Sector, which covers the following sectors: water, energy, transport and postal services.

- Directive 2009/81 on Coordination of Procedures for the Award of Certain Works, Supply and Service Contracts by contracting authorities in the fields of defense and security (to be implemented in national laws of EU member states by August-2011).

Remedies directives cover legal means for companies who face discriminatory public procurement practices. These directives are implemented in the national procurement legislation of the 27 EU member states.

The U.S. and the EU are signatories of the World Trade Organization's (WTO) Government Procurement Agreement (GPA), which grants access to most public supplies and services and some work contracts published by national procurement authorities of the countries that are parties to the Agreement. In practice, this means that U.S.-based companies are eligible to bid on supplies and services contracts from European public contracting authorities above the agreed thresholds.

However, there are restrictions for U.S. suppliers in the EU utilities sector both in the EU Utilities Directive and in the EU coverage of the GPA. The Utilities Directive allows EU contracting authorities in these sectors to either reject non-EU bids where the proportion of goods originating in non-EU countries exceeds 50 percent of the total value of the goods constituting the tender, or is entitled to apply a 3 percent price difference to non-EU bids in order to give preference to the EU bid. These restrictions are applied when no reciprocal access for EU companies in the U.S. market is offered. Those restrictions, however, were waived for the electricity sector.

For more information, please visit the U.S. Commercial Service at the U.S. Mission to the European Union website dedicated to EU public procurement. This site also has a database of all European public procurement tenders that are open to U.S.-based firms by virtue of the Government Procurement Agreement. Access is free of charge.

Key Link: http://www.buyusa.gov/europeanunion/eu_tenders.html

Distribution and Sales Channels

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Budapest and its suburbs have become a preferred location for multinationals (e.g., GM/Opel, Ford, Pepsi, Coca-Cola, Hewlett-Packard, and AIG/Lincoln) to establish headquarters in Central and Southeast Europe. Nevertheless, while Hungary's retail and wholesale distribution operations are improving compared to Western Europe, weaknesses remain. For example, the trading company structure is relatively undercapitalized, and usually combines both retailing and wholesaling. In the first ten months of 2010, the overall volume of retail trade in Hungary decreased by 3.5 percent, compared to the same period of 2009. Retail growth is expected to stagnate and reach only 1 percent annual growth rate in 2011 due to the state of the national economy, lack of transparency, the relatively high unemployment rate, the central government's austerity measures, and taxes levied on the financial sector.

Most successful distribution companies in Hungary are wholly-owned subsidiaries of international chains, such as Auchan, Tesco, Cora, Office Depot, Metro, Brico, OBI, Praktiker, and IKEA. The middle section of Hungary's distribution pyramid - stocking distributors and mass merchandisers - is not yet fully developed. A typical distribution channel in Hungary is for importer-wholesalers to service retailers and end-users directly. Hungarian agents or distributors usually look to and rely on foreign partners to share the marketing and promotion expenses and to provide training and financing.

Until recently, small, family-owned shops dominated Hungary's retail sector especially in the less populated parts of the country. Thousands of these shops still continue to serve rural populations, posing logistical challenges for distributors and suppliers. However, medium-sized, financially well-established heavy-discount chains are making inroads in Hungary's retail sector; such chains include Real, RealPont having close to 2,300 shops and CBA with 3,357 stores nationwide. Discount food chain stores have also arrived onto the scene. Lidl has 76 stores nationwide, Penny Market 177, Spar/Interspar has 398, and Profi 73.

Unlike the countryside, Budapest's retail sector has many superstores, shopping centers, hypermarkets, and supermarkets. Foreign chains include Auchan, Cora, and Bricostore (France); Metro, OBI, Lidl, and Baumax (Germany); Humanic, and KIKA (Austria); Ikea (Sweden); Match/Smatch (Belgium); and Penny Market, Marks & Spencer, and Tesco (UK). A new government decree is expected to be introduced in 2011 governing the opening hours of retail units in Hungary. If there is national consensus with all the parties concerned (Association of Hungarian Retail Trade, Trade Unions and Employer and Employee's Unions), retail units will not be allowed to operate on Sundays with the exception of sweet shops, florists, petrol station, catering facilities and shops with a retail area of less than 280 square meters. A final decision for or against the opening hours on Sundays is not expected to happen before the end of 2011.

Shopping malls have expanded rapidly. Twenty-six operated in Budapest by the end of 2010, and another 21 in the smaller cities. Budapest's most recent shopping mall was opened in November 2010 "Corvin Boulevard" with 100 shops. The largest mall is Westend with 400+ shops, followed by Mammut I+II, 330 retail units, and Arena with 200 shops. Another four shopping malls are expected to be opened in 2011 just in Budapest.

Although Hungary is still largely a cash economy, the number of retail transactions with bank cards (such as Visa, Amex and Mastercard) and credit cards issued by commercial banks has grown significantly in recent years. The number of bank card payment transactions increased by 3.9 percent in 2010. Particularly in cities, consumers tend to use bank or credit cards in malls, hyper- and supermarkets. Checks are not used at all. A wide and reliable network of automatic teller machines (ATMs) operates throughout Hungary. The use of these ATMs has also been favored by Hungarian consumers.

Selling Factors/Techniques Return to top

Success in the Hungarian market is difficult without an in-country representative, agent, or distributor. While marketing tools serve to introduce a product or service, personal visits carry much more weight in Hungary. English, German and French are often spoken by younger business managers and are more prevalent in larger firms. U.S. companies in Hungary are still advised to have their brochures and information professionally translated and to have a translator on the spot during business meetings if needed.

U.S. companies should also be aware that access to capital is limited for many Hungarian firms. With an inflation rate in 2010 at 4.9 percent in Hungary (with a projection of 4.0 percent inflation rate in 2011) as well as bank lending rates between 9 and 19 percent, some Hungarian companies and their customers cannot easily finance purchases locally. Most Hungarian firms are too small to offer stock or issue commercial paper. As a result, business, including paying for imports, largely depends on self-financing. U.S. companies can mitigate financing risks and better compete with EU firms by directing their Hungarian customers to services like those of the U.S. Export-Import Bank.

Because business in Hungary is based upon personal relationships and trust, U.S. exporters are encouraged to visit potential Hungarian customers when presenting a proposal and discuss all conditions of future dealings. Face-to-face meetings are essential to successful long-term business cooperation in Hungary. The U.S. Commercial Service Budapest, through its Gold Key Service and International Partner Search Service, can pre-screen export market potential in Hungary before U.S. firms commit resources.

Electronic Commerce Return to top

Citing the boost e-commerce could give Hungary's productivity and innovation, the Hungarian government continues to place a high priority on advancing this sector. To this end, the Hungarian Government instituted Law CVIII (17/1999(II.5.)) in 2001, which opens up e-commerce competition by eliminating differences between domestic and EU-based vendors.

Due to a lingering distrust of e-payments, e-commerce had a slow start in Hungary and continues to lag behind Western Europe. The most developed segment, however, is e-banking. More than 2.4 million retail clients and some 350,000 corporate clients used internet banking services at the end of 2009, up 21 percent and 13 percent, respectively, from 2008. About 35 percent of all retail clients had access to internet banking services. The same was true of 45 percent of corporate clients. More than 2.9 million retail clients and some 210,000 corporate clients had used mobile banking services by the end of 2009, up 10 percent and 12 percent, respectively, from twelve months earlier. About 42 percent of retail clients had access to mobile banking services as did 27 percent of corporate clients.

Business-to-Consumer (B2C) e-commerce represents 1.6 percent of Hungary's retail trade compared to 1.8-2.0 percent in EU-15 countries. In 2009, B2C e-commerce was estimated to reach USD 482 million, up from USD 283 million in 2008. Experts forecast USD 625-650 million turnover for 2010. Most of Hungary's online purchases were of insurance policies, tourist services, food, films, music, home appliances, games, toys and book. In April 2010 there were 2,700 electronic shops registered in Hungary.

Key Link: http://english.ivsz.hu/engine.aspx?page=ivsz_en Association of Hungarian IT companies

EU REGULATIONS

In July 2003, the EU started applying Value Added Tax (VAT) to sales by non-EU based companies of Electronically Supplied Services (ESS) to EU based non-business customers. U.S. companies that are covered by the rule must collect and submit VAT to EU tax authorities. European Council Directive 2002/38/EC further developed the EU rules for charging Value Added Tax. These rules were indefinitely extended following adoption of Directive 2008/8/EC.

U.S. businesses mainly affected by the 2003 rule change are those that are U.S. based and selling ESS to EU based, non-business customers or those businesses that are EU based and selling ESS to customers outside the EU who no longer need to charge VAT on these transactions. There are a number of compliance options for businesses. The Directive created a special scheme that simplifies registering with each member state. The Directive allows companies to register with a single VAT authority of their choice. Companies have to charge different rates of VAT according to where their customers are based, but VAT reports and returns are submitted to just one authority. The VAT authority responsible for providing the single point of registration service is then responsible for reallocating the collected revenue among the other EU VAT authorities.

Key Link: http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/e-services/index_en.htm

Trade Promotion and Advertising

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Marketing support is critical for success in Hungary. Exhibiting in and attending trade and scientific shows and seminars, both international and local, can help U.S. companies reach their target audience. Distributors in Hungary often advertise in trade journals and professional industry-focused newspapers to reach their target market and audience. Trade associations offer high quality publicity among their members and low cost web advertising on the association's website. Specialized, sector-specific trade shows have become increasingly common, popular and well-attended in Hungary. See the section on Trade Events in Chapter 9 for listings.

After the brand-building boom of the 90s, the advertising market in Hungary is rather stable. Television remains the most important and influential medium for advertising, followed by print, radio and internet media. Internet advertising is growing dynamically, while outdoor (billboard) advertising continues to fall. The biggest spenders are food companies, followed by health care / medicines and beauty care. In line with the international trends, promotions and point of sale activities gain importance.

The legal framework for advertising are laid down in the 2008 XLVIII Advertising Law effective as of March 1st, 2009. Important restrictions are:
- Advertising prescription drugs, vaccines, and over-the-counter preparations subsidized from social security funds is prohibited.
- Advertising arms, munitions and tobacco products is banned, including a ban of sponsorship on international sports and cultural events. Warnings on the unhealthy effects of smoking should cover at least 30 percent of the advertising surface. These products can be advertised with strict restrictions at the point of sales. No image advertising is allowed, only pack-related, product information like the name and the price of it is allowed.
- Alcohol advertisements must not target kids and teenagers and must not link consumption to enhanced physical performance, social or sexual success. Advertising of alcohol is forbidden in movie theaters before 8:00 pm. Furthermore it must not claim that it is a stimulant, a sedative or a means of resolving personal conflicts.

Hungary's Competition Law prohibits advertisements that mislead consumers or endanger the reputation of competitors.

Following is a list of exhibition and media companies:
Hungexpo Rt. (fair organizer): http://www.hungexpo.hu/?_nyelv_=en
Budapest Business Journal (weekly and daily papers): http://www.bbj.hu/
Budapest Times (weekly): http://www.budapesttimes.hu/
Nepszabadsag – People's Freedom (daily): http://www.nol.hu/
Magyar Hirlap – Hungarian Newspaper (daily): http://www.magyarhirlap.hu/
Magyar Nemzet – Hungarian Nation (daily): http://www.mno.hu/
Magyar Rádió - http://www.radio.hu/
Magyar Televízió – Hungarian Television: http://www.mtvzrt.hu/
RTL Klub - http://www.rtlklub.hu/
TV2 - http://tv2.hu/
Vilaggazdasag – World Economy (daily): http://www.vg.hu/
Napi Gazdasag – Daily Economics (daily): http://www.napi.hu/
Heti Világgazdaság - Weekly World Economy: http://www.hvg.hu/english.aspx
Info on BSP: http://www.buyusa.gov/hungary/en/business_network.html
Info on FUSE: http://www.buyusa.gov/hungary/en/fuse.html

EU REGULATIONS

General Legislation

Laws against misleading advertisements differ widely from member state to member state within the EU. To respond to this imperfection in the Internal Market, the Commission adopted a directive, in force since October 1986, to establish minimum and objective criteria regarding truth in advertising. The Directive was amended in October

1997 to include comparative advertising. Under the Directive, misleading advertising is defined as any "advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which for those reasons, injures or is likely to injure a competitor." Member states can authorize even more extensive protection under their national laws.

Comparative advertising, subject to certain conditions, is defined as "advertising which explicitly or by implication identifies a competitor or goods or services by a competitor." member states can, and in some cases have, restricted misleading or comparative advertising.

The EU's Audiovisual Media Services Directive lays down legislation on broadcasting activities allowed within the EU. Since 2009, the rules allow for U.S.-style product placement on television and the three-hour/day maximum of advertising will be lifted. However, a 12-minute/hour maximum will remain. Child programming will be subject to a code of conduct that will include a limit of junk food advertising to children.

Following the adoption of the 1999 Council Directive on the Sale of Consumer Goods and Associated Guarantees, product specifications, as laid down in advertising, are now considered as legally binding on the seller. (For additional information on Council Directive 1999/44/EC on the Sale of Consumer Goods and Associated Guarantees, see the legal warranties and after-sales service section below.)

The EU adopted Directive 2005/29/EC concerning fair business practices in a further attempt to tighten up consumer protection rules. These rules outlaw several aggressive or deceptive marketing practices such as pyramid schemes, "liquidation sales" when a shop is not closing down, and artificially high prices as the basis for discounts in addition to other potentially misleading advertising practices. Certain rules on advertising to children are also set out.

Key Links:
http://ec.europa.eu/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm
http://ec.europa.eu/avpolicy/reg/avms/index_en.htm

Medicine

The advertising of medicinal products for human use is regulated by Council Directive 2001/83/EC as amended by Directive 2004/27/EC. Generally speaking, the advertising of medicinal products is forbidden if market authorization has not yet been granted or if the product in question is a prescription drug. Mentioning therapeutic indications where self-medication is not suitable is not permitted, nor is the distribution of free samples to the general public. The text of the advertisement should be compatible with the characteristics listed on the product label, and should encourage rational use of the product. The advertising of medicinal products destined for professionals should contain essential characteristics of the product as well as its classification. Inducements to prescribe or supply a particular medicinal product are prohibited and the supply of free samples is restricted.

The Commission presented a new framework for information to patients on medicines in 2008. The framework which is still being debated would allow industry to produce nonpromotional information about their medicines while complying with strictly defined rules and would be subject to an effective system of control and quality assurance.

Key Link:
http://ec.europa.eu/health/human-use/information-to-patient/index_en.htm

Nutrition & Health Claims

On July 1, 2007, a regulation on nutrition and health claims entered into force. Regulation 1924/2006 sets EU-wide conditions for the use of nutrition claims such as “low fat” or “high in vitamin C” and health claims such as “helps lower cholesterol”. The regulation applies to any food or drink product produced for human consumption that is marketed on the EU market. Only foods that fit a certain nutrient profile (below certain salt, sugar and/or fat levels) will be allowed to carry claims. Nutrition and health claims will only be allowed on food labels if they are included in one of the EU positive lists. Food products carrying claims must comply with the provisions of nutritional labeling directive 90/496/EC and its amended version to come into effect in 2011.

The development of nutrient profiles, originally scheduled for January 2009 has been delayed. Nutrition claims can fail one criterion, i.e. if only one nutrient (salt, sugar or fat) exceeds the limit of the profile, a claim can still be made provided the high level of that particular nutrient is clearly marked on the label. For example, a yogurt can make a low-fat claim even if it has high sugar content but only if the label clearly states “high sugar content”. A European Union Register of nutrition claims has been established and is updated regularly. Health claims cannot fail any criteria.

As of November 2010, EFSA had published 200 opinions providing scientific advice on more than 1,700 “general function” health claims. EFSA expects to complete the evaluation of the general function health claims prioritized by the Commission by the end of June 2011.

A simplified authorization procedure has been established for health claims based on new scientific data.

A guidance document on how companies can apply for health claim authorizations can be downloaded from EFSA’s website at:

Key Link: http://www.efsa.europa.eu/EFSA/ScientificPanels/NDA/efsa_locale-1178620753812_1178684448831.htm

Food Supplements

Regulation 1925/2006, applicable as of July 1, 2007, harmonizes rules on the addition of vitamins and minerals to foods. The regulation lists the vitamins and minerals that may be added to foods. This list was most recently revised in November 2009. A positive list of substances other than vitamins and minerals has not been established yet, although it is being developed. Until then, member state laws will govern the use of these substances.

Key Link: http://ec.europa.eu/food/food/labellingnutrition/supplements/index_en.htm

Tobacco

The EU Tobacco Advertising Directive bans tobacco advertising in printed media, radio, and internet as well as the sponsorship of cross-border events or activities. Advertising in cinemas and on billboards or merchandising is allowed, though these are banned in many member states. Tobacco advertising on television has been banned in the EU since the early 1990s and is governed by the TV without Frontiers Directive. The EU plans to revise the Tobacco Products Directive in 2012 with possible changes could include bigger, double-sided health pictorial warnings on cigarette packages and plain packaging.

Key link: http://ec.europa.eu/health/tobacco/law/advertising/index_en.htm

Pricing Return to top

Hungarian businesses tend to be price conscious. Success for U.S. exporters requires a flexible pricing strategy, by working with Hungarian representatives to keep import costs low. With Hungary's accession to the European Union on May 1, 2004, Hungary adopted the EU's common external tariff (CXT) rates. Tariff assessment and all other customs procedures take place at the first port of entry into the EU.

Key Links:
http://vam.gov.hu/welcomeEn.do
http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/index_en.htm

Hungary's Value Added Tax (VAT) sharply increases the price of U.S. exports for Hungarian consumers. The Value Added Tax (consumption tax) is now 25 percent on most products and services.

The rate of inflation is expected to decrease from 4.8 per cent in 2010 to about 3.8 per cent in 2011. Fluctuations in the exchange rate of the Hungarian Forint to other currencies make planning very difficult. Much of the population is indebted in foreign currencies (mainly Euro and Swiss Franc), so the weakening of the forint also significantly raises the burden of debtors including households, the business sector as well as the government.

Numerous EU-oriented reforms have removed price controls on most utilities. In the past few years, the Hungarian Government largely deregulated utilities and has brought up, or at least come closer, to EU pricing levels for electricity, gas and wastewater prices, which resulted in a significant price increase both for households and businesses. However, as these utility service providers actually serve certain geographical regions, there usually no option to switch to another service provider. Stiff competition is going on in some other service sectors such as telecommunications, cable or digital TV services.

Sales Service/Customer Support Return to top

As a key component of a customer's experience, after-sales service and customer support should be a strong consideration for U.S. firms doing business in Hungary. Potential customers in Hungary may choose an EU or domestically-produced product due to concerns about the time it takes to replace or repair items that must be shipped between Hungary and the United States. As such, U.S. firms should consider stocking replacement parts or establishing servicing arrangements in the region.

EU REGULATIONS

Conscious of the discrepancies among member states in product labeling, language use, legal guarantee, and liability, the redress of which inevitably frustrates consumers in cross-border shopping, the EU institutions have launched a number of initiatives aimed at harmonizing national legislation. Suppliers within and outside the EU should be aware of existing and upcoming legislation affecting sales, service, and customer support.

Product Liability

Under the 1985 Directive on Liability of Defective Products, amended in 1999, the producer is liable for damage caused by a defect in his product. The victim must prove the existence of the defect and a causal link between defect and injury (bodily as well as material). A reduction of liability of the manufacturer is granted in cases of negligence on the part of the victim.

Key Link:
http://ec.europa.eu/enterprise/policies/single-market-goods/product-liability/

Product Safety

The 1992 General Product Safety Directive introduces a general safety requirement at the EU level to ensure that manufacturers only place safe products on the market. It was revised in 2001 to include an obligation on the producer and distributor to notify the Commission in case of a problem with a given product, provisions for its recall, the creation of a European Product Safety Network, and a ban on exports of products to third countries that are not deemed safe in the EU. The legislation is undergoing review.

Key Link: http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm

Legal Warranties and After-sales Service

Under the 1999 Directive on the Sale of Consumer Goods and Associated Guarantees, professional sellers are required to provide a minimum two-year warranty on all consumer goods sold to consumers (natural persons acting for purposes outside their trade, businesses or professions), as defined by the Directive. The remedies available to consumers in case of non-compliance are:

- Repair of the good(s);
- Replacement of the good(s);
- A price reduction; or
- Rescission of the sales contract.

Key Link:
http://ec.europa.eu/comm/consumers/cons_int/safe_shop/guarantees/index_en.htm

Other issues pertaining to consumers' rights and protection, such as the New Approach Directives, CE marking, quality control and data protection are dealt with in Chapter 5 of this report.

HUNGARIAN REGULATION

Hungary is required to transpose the directives in accordance with its Treaty of Accession. However, Hungarian law is often wider than the regulations of the directive. The consumer can abrogate the contract because of unfair contract terms even if they were negotiated before the conclusion of the contract.

Protecting Your Intellectual Property Return to top

On January 1, 2003, Hungary acceded to the European Patent Convention and has amended the Hungarian Patent Act accordingly. Act CII of 2003 modified the Hungarian Copyright Act and the Hungarian Design Act in order to bring them in line with the relevant EU legislation. The Hungarian Patent Office implemented the EU Copyright/"Information Society" Directive. In October 2004, Hungary implemented Council Regulation 1383/2003, concerning customs action against goods suspected of infringing certain intellectual property rights. Further, a government decree established a customs task to accept claims from producers whose trademarks or copyrights were infringed.

Hungary's National Board Against Counterfeiting and Piracy, established in January 2008, has promoted collaboration on IPR issues between the Government and the private sector, and issued a two-year IPR strategy to combat counterfeiting and piracy. The United States urges Hungary to take concrete steps to implement its IPR strategy and to improve its IPR enforcement regime. Further improvements are needed to ensure that prosecutors follow through with cases against IP infringers, and that 27 judges are encouraged to impose deterrent-level sentences for civil and criminal IP infringement. U.S. copyright industries also report that Internet piracy in Hungary is a major problem, and note that the Hungarian Government should provide adequate resources to its law enforcement authorities to combat IPR crime, especially on the Internet. The United States will continue to work with the Hungarian Government to address these IPR concerns.

- National Intellectual Property Right Protection Agency – http://www.artisjus.hu
- Hungarian Intellectual Property Office - http://www.hipo.gov.hu/English
- Hungarian Trademark Association - http://www.mve-trademark.hu
- Hungarian Anti-Counterfeiting Coalition (HENT) http://www.hamisitasellen.hu/
- Hungarian Biotechnology Association http://www.hungarianbiotech.org
- American Chamber of Commerce in Hungary (AmCham Hungary) –

http://www.amcham.hu
- Business Software Alliance (BSA) – http://www.bsa.org

EU REGULATIONS

Introduction

Several general principles are important for effective management of intellectual property ("IP") rights in the EU. First, it is important to have an overall strategy to protect IP. Second, IP is protected differently in the EU than in the U.S. Third, rights must be registered and enforced *in* the EU under local laws. Specifically for copyright, all EU Member States are parties to the Berne Convention for the Protection of Literary and Artistic Works, so EU copyright protection is automatic and no formal registration is necessary. Therefore, if a company has copyright protection in the US under the Berne Convention, that company will equally have protection in the EU-27. EU Member States are also party to the Berne Union, which allows them to offer more, but not less, protection than is required under the Berne Convention. Many EU Member States have therefore, created domestic registration systems that provide additional benefits to the copyright holder.

As for patents, the EU countries have a first to file approach to patent applications, as opposed to the U.S.'s first to invent system. This makes early filing a top priority for innovative companies in the EU. Unfortunately, in the EU it is not yet possible to file for a single patent that would be administered and enforced like those in the US. Since the EU does not yet have a harmonized patent law, inventors need to get protection in each of their target markets either by the European Patent Organization (EPO) or national patent offices.

If a company wants to protect a trademark asset in the EU, it must register the trademark with an individual Member State or with the EU in the form of a Community Trade Mark (CTM). Registration is especially important in the EU because, unlike in the US, where trademark protection is based on "first use" as well as registration rights; the trademark registration system in the EU is based on a "first-to-file", or more precisely, a "first to successfully register" approach.

Because registration of patents and trademarks is on a first-in-time, first-in-right basis, you should consider applying for trademark and patent protection even before selling your products or services in the EU market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in the EU. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in EU law. The U.S. Commercial Service can provide a list of local lawyers upon request or please feel free to check our website for recommended lawyers at

http://www.buyusa.gov/hungary/en/business_network.html?bsp_cat=80120000

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Projects and sales in the EU require constant attention. Work with legal counsel familiar with EU laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both EU or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
  American Chamber of Commerce in Hungary: www.amcham.hu
- National Association of Manufacturers (NAM) : http://www.nam.org
- International Intellectual Property Alliance (IIPA): http://www.iipa.com
- International Trademark Association (INTA): http://www.inta.org
- The Coalition Against Counterfeiting and Piracy: http://www.gacg.org
- International Anti-Counterfeiting Coalition (IACC): http://www.iacc.org
- Pharmaceutical Research and Manufacturers of America (PhRMA): http://www.phrma.org
- Biotechnology Industry Organization (BIO): http://www.bio.org

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, and Russia. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- For EU IPR toolkit: http://www.buyusa.gov/europeanunion/ipr.html

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers the EU at: ashley.miller@trade.gov.

Due Diligence Return to top

The U.S. Commercial Service at the U.S. Embassy in Budapest can provide financial and background information reports on local companies via the International Company Profile (ICP). This fee-based service helps U.S. companies evaluate potential business partners based on a detailed report. The U.S. Commercial Service visits the Hungarian company, collects general information and asks specific questions the U.S. requestor requests. We can also do specialized research for your company through the “Customized Market Research” (CMR) service. More info on ICP and CMR, including prices is available at:
http://www.buyusa.gov/hungary/en/315.html

Local Professional Services Return to top

Hungary continues to attract world-class professional service firms. The U.S. Commercial Service in Budapest has an on-going relationship with service providers at the following link:
http://www.buyusa.gov/hungary/en/business_network.html

Commercial banks:
Citibank Rt. www.citibank.hu
Budapest Bank (member of GE Money Bank): http://www.budapestbank.hu
OTP Bank Rt. (largest Hungarian bank): http://www.otpbank.hu

Management consulting firms:
Accenture Hungary: http://www.accenture.com/Countries/Hungary/default.htm
Hungarian Association of Management Consultants: http://www.vtmsz.hu/angol.htm

Relocation:
Move One: http://www.moveoneinc.com/country-profiles/hungary/
Inter Relocation: http://www.interrelo.com

Auditing/Accounting:
Ernst & Young Hungary: http://www.ey.com/
PriceWaterHouseCooper: http://www.pwc.com/
Branko Kft.: http://www.branko.hu/en/home.html
KPMG Kft. http://www.kpmg.hu/index.thtml/

Market research firms:
AC Nielsen Hungary: http://www.acnielsen.hu
GfK Hungaria: http://www.gfk.hu/angol/index.html
Echo Consulting: http://www.echo.hu

Logistics and industrial parks:
ProLogis Budapest: http://www.prologiseurope.com/hungary_home.php
AIG Lincoln Hungary: http://www.aiglincoln.com/cms/country/homepage/country/11
Waberer's Group: http://www.waberers.hu/en/index
Hungarian Logistics Association: http://mle.hu/startpage

IT service providers:
Synergon Informatika Rt.: http://www.synergon.hu/en/
Montana IT es Kommunikacios Rt.: http://www.montana.hu
AlbaComp Rt.: http://www.albacomp.hu/index.php?lang=en
Association of Hungarian IT companies:
http://english.ivsz.hu/engine.aspx?page=ivsz_en

Internet service providers:
http://www.t-online.hu/ajanlataink/english/index.html
http://home.datanet.hu/
http://www.invitel.hu/

Local service providers focusing on EU law, consulting, and business development can be viewed on the website maintained by the Commercial Service at the U.S. Mission to the European Union at:
http://www.buyusa.gov/europeanunion/services.html

For information on professional services located within each of the EU member states, please see EU Member State Country Commercial Guides which can be found at the following website: http://www.export.gov/mrktresearch/index.asp under the Market Research Library.

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http://www.itd.hu
http://www.artisjus.hu
http://www.hipo.gov/English/
http://www.mve-trademark.hu
http://www.hamisitasellen.hu
http://www.hungarianbiotech.org
http://www.amcham.hu
http://www.bsa.org
http://www.magyarugyvedikamara.hu/
http://www.bpbar.hu/html/index.php?load=site
http://www.hpo.hu/English/hivatalrol
http://www.ivsz.hu
http://www.kozbeszerzes.gov.hu
http://www.jointventure.hu
http://www.fvf.hu
http://www.dsa.hu
http://www.citibank.hu
http://www.budapestbank.hu
http://www.otpbank.hu
http://www.accenture.com/Countries/Hungary/default.htm
http://www.vtmsz.hu/angol.htm
http://www.moveoneinc.com/country-profiles/hungary/
http://www.interrelo.com
http://www.ey.com/
http://www.pwc.com/
http://www.branko.hu/en/home.html
http://www.kpmg.hu/index.thtml/
http://www.acnielsen.hu
http://www.gfk.hu/angol/index.html
http://www.echo.hu
http://www.prologiseurope.com/hungary_home.php
http://www.aiglincoln.com/cms/country/homepage/country/11
http://www.waberers.hu/en/index
http://mle.hu/startpage
http://www.synergon.hu/en/
http://www.montana.hu
http://www.albacomp.hu/index.php?lang=en
http://english.ivsz.hu/engine.aspx?page=ivsz_en
http://www.t-online.hu/ajanlataink/english/index.html
http://home.datanet.hu/
http://www.invitel.hu/
http://www.buyusa.gov/europeanunion/services.html

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Consumer Electronics (CEL)
- Computer Hardware and Software (CPT) and (CSF)
- Green Building (BLD) (REQ)
- Logistic services (TRN)
- Renewable Energy (REQ)
- Travel and Tourism Services and Investments (TRA)

Agricultural Sectors

- Planting Seeds
- Bovine Semen
- Poultry Breeding Stocks
- Dried Fruits and Nuts (incl.Peanuts}

Consumer Electronics (CEL)

Overview

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USD billion

	2009*	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	2.4	2.3	2.4	2.6
Total Imports	1.8	1.6	1.9	2.3
Imports from the U.S.	0.2	0.1	0.4	0.6
Exchange Rate: 1 USD	202	209	209	209

*Source: Some data from the Hungarian Central Statistical Office and Post's estimates

Hungary's consumer electronics market is largely dominated by imports. It is defined as the addressable market for computing devices, mobile handsets, and video audio and gaming products, is projected at around USD 2.3 billion in 2010. Following a sharp deceleration from late 2008 and in 2009, spending is expected to increase at a 4.2 percent rate to USD 2.9 billion by 2014, driven by growing popularity of digital lifestyle products such as flat screen TV sets, which will remain the main driver for 2011-2015, followed by digital broadcasting devices. Video devices such as flat-screen TV sets, digital cameras and DVD players account for more than 80 percent of demand.

Selling conditions for consumer electronics remains challenging in 2011 but the projection for rising incomes, product innovation and demographic trends should support a growth trajectory for consumer electronics spending. Digital television subscriptions rose to 43.5 percent of Hungary's 3.1 million television subscribers in December 2010, driving spending on flat-screen TV sets.

Sub-Sector Best Prospects

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From AV devices, high-end HiFi systems ranked first for consumer electronics market spending in 2010, namely at 33 percent. Demand for digital TV sets will be the main driver for spending as Hungary makes further progress towards digital broadcasting. Other growth drivers will include LED TV sets, digital cameras, portable media devices and Blueray format DVD players.

Computerized national education, such as increasing the number of PCs, IT classes at schools and digital boards, has also been introduced in most primary schools. By the end of 2010 close to 6,000 digital boards were used in school in Hungary.

Opportunities

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The fastest growth and best opportunities for this sector are coming from entertainment electronics. Game consoles – like Xbox, Xbox 360, PS2 and PS3 – have proved the most lucrative the last two years, generating total revenues of USD 360 million.

Sales of professional conferencing and AV equipment continue to contribute significantly to sector output, totaling 30 percent of the market's aggregate revenues. Hungarians of all ages love music, creating strong demand for new, high quality sound technology; Hungarians under 30 are avid MP3-4-5 and iPod users. The sale for such devices is seasonal, over 70 percent of annual sales happen before Christmas. The other most favored seasonal gifts are portable AV goods such as digital cameras, LED and 3D television sets, table PCs, netbooks, GPS, iPhones and cellphones with Android operation systems. At Christmas, sale of the goods listed above generally increases by 20-25 percent.

Digital has rapidly expanded and is replacing analog in Hungary making *plasma televisions* a lucrative market. The popularity of LCD television sets has been stagnating and consumer purchases are driven towards plasma technologies. The most popular brands are (listed in line of most sales made in 2010): Samsung, LG, Sony, Panasonic and Sharp. 3D TV technology set sales are marginal and are still considered a luxury item due to high retail prices but as technology evolves and prices will likely to decrease there is a promising future for 3D TV sets sales in Hungary for the second half of the decade. Under the Geneva Broadcasting agreement, Hungary must support digital broadcasting and eliminate analog broadcasting by January 1st, 2012, although it seems that Hungary may miss this deadline at the time of this publication. As a result, demand for digital TVs will soon surpass that for analog sets. Currently, cable is about 70 percent of broadcasting and only 30 percent is for terrestrial digital, competing with mobile TV, IPTV and satellite broadcasting.

For business, electronic display systems, large LCD and plasma screens, signage, projectors, sound and control systems are most in demand. The demand for wireless and portable products is also growing. U.S. brands have a good market presence particularly in the professional AV segment.

Nintendo's brand DS and Wii held the largest market share in 2009 in the video games sector keeping its leading position. As one of the first video game companies, it is a well known brand in Hungary. Its leading position was attacked in the past few years by the other multinational brands including Electronic Arts, PlayStation and Xbox 360. Demand for games consoles can be boosted by the heavily-marketed release of 'latest versions'. Sony - PlayStation brand - had the biggest increase in the market share. Its brands are available through the main hypermarkets, consumer electronics chains and Internet retailing.

Unfortunately, in the long term the declining birth rate and families delaying having children in Hungary will negatively influence the performance of the video games sector since the main target group for video and PC-based or on-line computer games are mostly teenagers.

Web Resources

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Informatics on-line magazine: http://www.hoc.hu/
Home Movie and Entertainment page: http://hazimozi.lap.hu/
Consumer Electronics in Hungary:
http://www.euromonitor.com/Consumer_Electronics_in_Hungary
Electronics Industry Market Research and Knowledge Network –
http://www.electronics.ca/publications/products/Hungary-Consumer-Electronics-Report.html

Csilla Viragos, Commercial Specialist, csilla.viragos@trade.gov

Computer Hardware (CPT) and Computer Software (CSF)

Overview

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USD billions

Computer Hardware	2009	2010	2011 (est.)	2012 (est.)
Total Market Size	1.14	1.3	1.5	1.52
Constant Exchange Rate 1 USD/HUF	202.37	202.37	202.37	202.37

Source: IDC CEMA Quarterly Black Book, Q2 2010 Results

USD millions

Computer Software	2009	2010	2011 (est.)	2012 (est.)
Total Market Size	594	600	630	673
Constant Exchange Rate 1 USD/HUF	202.37	202.37	202.37	202.37

Source: IDC CEMA Quarterly Black Book, Q2 2010 Results

In 2010, the total Hungarian IT market of USD 2.84 billion increased by 7.2 percent following a drastic drop of 15 percent in 2009 due to the crisis; the sale of hardware products is expected to have increased by 17.3 percent, and that of the software products by 0.9 percent. In 2011, the computer hardware market is expected to grow by 8.5 percent and 4.3 percent in 2012 respectively. The sale of packaged software is estimated to grow by 5 percent in 2011, and 6.8 percent in 2012. Due to the austerity measures started in 2009, the new government continues to spend less on IT investments in 2011.

Sub-Sector Best Prospects Return to top

Hardware market:
- Smart phones
- Tablet PCs
- Blade servers fueled further by server virtualization
- Thin clients for desktop virtualization
- External DAS and NAS storage solutions
- 3rd party consumables for printers, MFPs, copiers

Software market:

- Application Server Middleware
- Customer Relationship Management (CRM) Applications
- Data Access, Analysis, and Delivery
- Integration & Process Automation Middleware
- Quality & Life-Cycle Tools
- Security software
- Storage Software

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The government has elaborated its ICT concept called “Digital Hungary” including the development of the e-Government systems (e-Health Card, e-Payment, e-Billing, further development of the government portal etc). There are plans to consolidate the government’s IT infrastructure generating large procurement of storage and network equipment, as well as software. The government also plans to announce structural reforms in the educational and health sectors early 2011. The reforms will result in increased spending of the public sector, amounting to a yearly 4 percent growth according to IDC Hungary forecasts. Within an economic stimulus program, called the New Szechenyi Plan, the government can utilize 2000 billion HUF (USD 9.9 billion) EU funds until 2013. For 2011, HUF 170 billion (USD 841 million) is available for SMEs aiming at complex enterprise development including the procurement of computer hardware and software. Companies can start to apply for grants as of March 1, 2011.

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Association of Hungarian IT companies: www.ivsz.hu

International Data Corp. Hungary Offices: http://www.idchungary.hu
Szamitastechnika (Computerworld) Magazin (weekly): www.computerworld.hu
IT-Business (weekly magazine): www.it-business.hu
European Information Technology Observatory: www.eito.org
National Development Agency http://www.nfu.hu/?lang=en

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Green Building (BLD) (REQ)

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Between 2003-2009 the Government of Hungary spent roughly USD 479 million on supporting the energy efficiency improvements of residential buildings.

Unit: USD billions

	2009*	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Building Construction Market Size	3.1	2.4	2.6	3.2
Exchange Rate: 1 USD	202	209	209	209

*Source: Hungarian Central Statistical Office

In a country where energy prices were traditionally highly subsidized by the State, energy efficiency was not a high priority for the construction industry or its clients. This attitude has changed radically in the past couple of years. Demand for environmental technologies in Hungary is booming as the Energy Performance of Buildings (EBPD) Directive of the EU has come into force and energy prices have exploded. The renewal of energy systems in buildings and other green construction projects are a high priority for the Government of Hungary and are heavily subsidized through various programs.

Buildings and construction account for 42% of Hungary's primary energy consumption. The thermal properties of most existing buildings, even recent constructions, are extremely poor. The average annual specific heat requirements are well over twice the level found in Western European countries with comparable heating seasons. The standard insulation used in Hungary with its average thickness of six centimeters is considerably thinner than the twelve centimeters common to Western Europe, not to mention the thirty-centimeter layers used in passive houses. The property structure is fragmented and the owners often cannot finance the necessary improvements.

Currently the dominant fuel used by Hungarian households is gas. Gas used to be a cheap and clean way of heating, but as gas prices have doubled in the past four years, we expect an increased interest in alternative fuels. About sixteen percent of apartments use district heating. Although the widespread use of combined heat and power (CHP) systems should normally mean a low-cost, environmentally friendly alternative, unfortunately, this is not the case in Hungary. The systems are generally in a poor state of repair, with high distribution losses and end-user prices determined by politics rather than real costs. As a result of this, district heating is one of the most expensive options and customers try to move away from this alternative.

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- Energy Performance Contracting

- Thermal modernization of apartments

- Refurbishment of existing district heating systems

- Technologies to exploit geothermal energy / drilling technologies

Geothermal energy has great potential in Hungary due to the geological conditions of the country. Currently, geothermal activities account for over 8% of Hungary's renewable energy production, and the sector bears excellent possibilities for development in the future.

- Solar energy technologies

This sector is relatively undeveloped in Hungary despite good climate conditions. A small number of residences and community buildings use roof-mounted solar panels to supplement heating units.

Opportunities Return to top

The EU is set to provide 22.4 billion Euros (USD 31.9 billion) to Hungary, from 2007-13, to finance infrastructure upgrades, as part of the New Hungary Development Plan. In the framework of the Environment and Energy Operational Program about USD 360 million is designated to support the increase of the use of renewable energy sources and additional USD 220 million is available for energy efficiency-related investments.

There are also various programs to support promote renewable energy usage and energy efficiency improvements for households and municipalities.

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Association of Environmental Service Providers and Manufacturers:
http://www.kszgysz.hu
Center for Climate Change and Sustainable Energy Policy (3CSEP): http://3csep.ceu.hu/
Energiaklub Climate Policy Institute (NGO): http://energiaklub.hu/en
Energy Centre" Energy Efficiency, Environment and Energy Information Agency Non-Profit Company: http://www.energiakozpont.hu/index.php?p=181
Hungarian Energy Office: http://www.eh.gov.hu
Hungary Green Building Council (HuGBC): http://www.hugbc.org
National Development Agency: http://www.nfu.hu

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Transportation/Logistic Services (TRN)

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Improving Hungary's transportation infrastructure is a government priority. Improved road access around Budapest, primarily the M0 ring road, is almost complete. The M6 highway between Budapest and Pecs (South Hungary) opened in 2010. Logistics services is the most dynamically growing sector in the transportation industry. The Hungarian transportation market accounted for roughly 7-9 percent of GDP in 2010. In parallel with the economic crises in 2009 and 2010, output of the sector decreased approximately 10 percent last year. Improving transportation services is one of the major national priority sectors, announced by the government in the New Szechenyi (National Development) Plan in December 2010. The largest Hungarian players in the sector include the Hungarian Post and transportation companies Waberer and Masped. Some major foreign providers are Deutsche Post World Net (DPWN) from Germany, Hodlmayr from Austria and ProLogis from the United States. There are two American companies in Hungary that run logistics centers and provide high value-added logistics services: National Instruments in Debrecen (East Hungary) and General Electric in Nagykanizsa (South West Hungary).

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Development of transportation/logistics services are one of the seven main industry sectors supported by the state's New Szechenyi (National Development) Plan. The new development plan and the European Union provide funds to execute the programs that are classified strategically important, such as

- Development of combined transport method and terminals to increase the share of environment friendly transportation;
- Building of new bypasses; modernization of public transportation, bicycle roads;
- Building of bridges on the rivers Danube and Ipoly;
- Use of GSM-R and ETCS technology in transportation;
- Modernization of rail track network;
- Use of ITS (Intelligent Transport System) networks to make transportation of people and goods more effective.

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The greater Budapest area has always been the primary focus for logistics activity. To date, more than 30 modern logistics and warehouse parks have been developed, primary along the M0 ring-road. New development projects are in process in the key regions of the country.

For example, modernizing of rail tracks and transportation infrastructure at Zahony (East Hungary) which serves as a Schengen border is also priority, as 23 percent of the goods to and from eastern destinations (Russia, China) are crossing the Hungarian border here.

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www.kti.hu Institute of Transport Sciences
www.nfu.hu National Development Office
www.ngm.gov.hu Ministry for National Economy
www.nfm.gov.hu Ministry of National Development
www.logsped.hu Logistics News (Online News)
www.ujszechenyiterv.gov.hu New Szechenyi (Development) Plan

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Renewable Energy (REQ)

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The EU "20-20-20" Goals include binding targets to raise the share of renewable energy in the EU to 20 percent by 2020. The Government of Hungary has made a commitment to the EU to increase the share of sustainable energy in the aggregate national output to 13% by 2020. In addition to environmental concerns, renewable energy also contributes to the security of supply by raising the share of domestically produced energy and reducing dependence on fossil fuels. At present, Hungary relies on imports for almost 80 percent of the country`s energy needs, including natural gas, oil, carbon, and uranium.

Renewable energy accounted for 7.3% of Hungary's total energy utilization in 2009, compared to 5.9% one year earlier. In power generation, a slightly higher ratio of 7.5% has been reached. Last year, Hungary's total electricity utilization amounted to 41,518GW, of which renewable sources accounted for 2,704GW.

In 2008, the Government of Hungary approved the Renewable Energy Strategy for 2008-2020. The strategy favors decentralized energy production, the cogeneration of heat and power and the establishment of small power stations utilizing renewable sources locally. One of the concepts that have come to the forefront of attention is locally produced power.

Biomass: Biomass represents the largest source of renewable energy in Hungary at over 60 percent. There are six power plants in the country that run on biomass. In order to utilize its potential, the country adopted a New Hungary Rural Development Program which supports the production of energy crops. Currently biomass is produced mainly from forestry materials, while food processing, livestock production and herbaceous plants remain largely unutilized.

Biogas: There are now around forty plants in Hungary utilizing biogas. The country operates one of the biggest biogas facilities in Europe, in Nyirbator. The large-scale production of inputs provides excellent opportunities for development.

Wind Energy: There are currently 37 wind farms (155 towers) operating, producing about 295.3 MW. Hungary does not have any pumped storage power plants and the 80 percent reserve capacity required by wind energy generation has to be provided by gas-fueled plants. As a result of this, the total capacity of wind energy is limited to 330 MW. In August 2009 the Hungarian Energy Office (MEH) called an invitation for applications to build another 410 MW of wind energy capacity. In June 2010 the tender was declared void due to a decree issued by the National Development Ministry revising the legal background and the evaluation criteria.

Geothermal Energy: Great potential due to the geological conditions of the country. Of its 900 thermal springs, one-third are used in healthcare establishments, and one-quarter for heating, especially for greenhouses and building heating. The possibility of establishing geothermal power plants for electricity production is being researched.

Solar Power: Relatively undeveloped despite favorable climate conditions. With an average of 1900-2200 sunny hours/year there is a theoretical potential of 1838 PJ, out of which 0.1 PJ are used currently. A small number of residences and community buildings, like hospitals, use roof mounted solar panels to supplement heating units. Hungary's first solar power plant cluster is now planning to build a 500 KW solar energy powered generator.

Hydro Power: The 31 hydropower plants have a combined installed capacity of 55 MW and an annual output capacity of 200 GWh a year. Due to the geographical conditions, further bigger developments are unlikely. Small and micro sized plants are expected to be built.

Bio-fuel: Despite excellent natural resources and easy availability of raw materials, Hungary is well behind in its plans to become a major bio-ethanol producer. Increasing crop prices combined with falling oil prices and the debate around the sustainability of bio-fuel have slowed down developments. The government has recently made three planned bioethanol power plant investments worth a combined USD 370 million, “priority projects”.

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The Hungarian Renewable Energy Strategy forecasts growth mainly in biomass, wind, solar and geothermal energy.

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Hungary’s subsidy theme for renewables is based on three pillars:

- Feed-in-tariff system

The system sets the term and the amount of renewable electricity that is to be sold at that tariff according to the pay-back time of the investment. The electricity produced from renewables by a facility with an installed capacity of over 100 kW and connected to the grid has to be purchased by the regional electricity supplier or by the electricity provider. The system was modified in favor of smaller plants and those providing remote heating in 2008. The Government is introducing green certificates, which will be required for power producers (from CHP) and sellers from 1 January 2012.

- EU Funds

The EU is set to provide 22.4 billion Euros (USD 30.7 billion) to Hungary, from 2007-13, to finance infrastructure upgrades, as part of the New Hungary Development Plan. About USD 500 million is designated to support renewable energy-related investments in the framework of the Environment and Energy Operational Program.

- National Energy Program

The government subsidizes clean energy usage and energy efficiency for households with lesser amounts.

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Center for Climate Change and Sustainable Energy Policy (3CSEP): http://3csep.ceu.hu/
Energiaklub Climate Policy Institute (NGO): http://energiaklub.hu/en
Energy Centre" Energy Efficiency, Environment and Energy Information Agency Non-Profit Company: http://www.energiakozpont.hu
Hungarian Energy Office: http://www.eh.gov.hu
Hungarian Wind Energy Association: www.mszet.hu
Ministry of National Development: http://www.nfm.gov.hu/en
National Development Agency: http://www.nfu.hu

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Travel and Tourism Services and Investments (TRA)

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	2009	2010 Jan-June	2011 (estimated)	2012 (estimated)
International Arrivals (million)	40.6	17.0	42	42
International Tourism arrivals (million)	9.1	4.2	10	10
Hungarians Travelling Abroad (million)	16.9	7.4	17	17
Hungarians Travelling to the US (thousand)*	48.8	44 (Jan-Oct)	50	55
US citizens travelling to Hungary (thousand)	397	170	400	400
Tourism Expenditure (USD billion)	3.6	1.26	4	4
Tourism Receipts (USD billion)	5.6	2.4	6	6
Exchange Rate: 1 USD	202.26	208.15	209.0	209.0

Data Sources: Hungarian Statistical Office and unofficial estimates, *Department of Commerce

Outbound Travel: Analysts expected 2010 to be a difficult period for the tourism sector because of the worldwide financial crisis and economic downturn. In the first three quarters of 2010, Hungarians travelled less than a year earlier. They crossed the border 12.5 million times (-5 percent), and spent $2.5 billion (-17 percent). Hungarian travelers stayed abroad for 55 million days (-16 percent). The number of one-day visits decreased 3.5 percent, while travels of more than one day decreased 18 percent. Top European destinations included Croatia, Greece, Romania and Italy. Great Britain is also a popular destination as a result of the “Visit Britain” campaign in Hungary. Austria, France, Tunisia and Turkey were also favored. Major border zone traffic at the Austrian border represents a ground transportation exit to Western European countries as well.

Travel to the U.S.: On November 17, 2008, Hungary joined the Visa Waiver Program. After the long-awaited ease in the process, qualified Hungarian travelers can apply and get an electronic authorization, usually within minutes but always within 72 hours for $14.

Inbound Travel: By the Hungarian Statistical Office, inbound travel increased between January and November 2010 compared to the same period in 2009: 4.9 percent more foreign tourists spent 1.9 percent more days in Hungary. Average length of stay was 2.8 days. Number of guest nights in four star hotels increased 17.2 percent; in five star hotels it grew 10.4 percent. The top ten countries’ tourists arrived from were Germany, Austria, Great Britain, Italy, Czech Republic, U.S., Poland, France, Romania and Spain. Major destinations included Budapest, North Hungary and Lake Balaton.

Hungary understands the need for incentives in tourism development and guarantees that a modernization program will be a priority. Objectives include increasing inbound and domestic tourism and improving services. Of particular importance are the development of domestic (health/recreation) and conference tourism, and building a long-awaited conference center for more than 5,000 people.

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There are many opportunities in infrastructure development and improving services, including:

• Construction of convention centers in larger cities;
• Continued development in central Budapest, including hotels and a large (5000 person) convention center;
• Travel services. Some American travel and tourism companies currently operating in Hungary include: American Express, American Airlines (which will run a nonstop flight between New York and Budapest from April 2011), Continental Airlines, American International Group, Avis, Hertz and Budget Rent-a-Car, Marriott Hotel, Best Western hotels;
• Development of travel services and infrastructure, especially near existing tourism locations such as Lake Balaton and Lake Tisza-to.

Opportunities

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The Balaton Development Plan covers a $400 million project in the next ten years, including:

- entertainment parks,
- a park for extreme sports,
- luxury apartments,
- 800 hotel rooms (three, four star, luxury),
- wellness and conference facilities, etc.

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www.hungary.com Hungarian Tourism Rt.
www.tourinform.hu Tourist Information
www.turizmus.com Tourism Panorama

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Agricultural Sectors

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Planting Seeds

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Unit: 1,000 Metric Tons

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	206	210	205	205
Total Local Production	279	240	253	260
Total Exports	91	44	65	70
Total Imports	18	14	17	15
Imports from the U.S.	4	3	4	4
Exchange Rate: 1 USD	202	209	209	209

Planting seed: Hungary is a traditional agricultural exporter. In that vein it imports high quality planting seed for propagation and production. U.S. exports of vegetable, grass, forage and, in particular, sunflower and corn seed have been traditionally strong in this market. One limitation for new exporters is that the market is well established and trade linkages are solid. Hungary has had legislation governing the use, registration and imports of biotechnology plant varieties including “coexistence regulation” approved in December, 2006. The first field tests of GMO plant varieties took place between 1999 and 2004. Hungary’s GMO policy is closely tied to the EU (a full member since 2004) and commercial plantings will not be allowed in the near future, due to a moratorium imposed in January 2005.

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Best Prospects are in corn, sweet corn, popcorn, sunflower, and forage seeds

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http://www.vszt.hu/cd.php?page=contact&lang=a

Bovine Semen

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Unit: USD million

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	5.83	5.48	5.45	5.45
Total Local Production	3.91	3.85	3.70	3.70
Total Exports	0.19	0.23	0.15	0.15
Total Imports	2.11	1.86	1.90	1.90
Imports from the U.S.	1.26	1.30	1.25	1.25
Exchange Rate: 1 USD	202	209	209	209

Bovine semen: Hungary's dairy industry is based on U.S. breeds. Demand for high quality bovine semen for dairy cows is strong and U.S. exports in this area are significant. One limitation for new exporters is that the market is well established and trading linkages are solid.

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http://www.allattenyesztok.hu/the-hungarian-animals-breeders-association-haba

Poultry Breeding Stocks

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	25.24	23.32	21.70	22.00
Total Local Production	52.06	50.02	51.00	51.00
Total Exports	36.62	37.86	38.00	38.00
Total Imports	9.80	11.16	8.70	9.00
Imports from the U.S.	1.87	2.91	1.75	1.80
Exchange Rate: 1 USD	202	209	209	209

Hungary is a producer and exporter of poultry breeding stock and poultry. U.S. exports of poultry breeding stock, particularly baby chicks and hatching eggs for broiler and turkey are strong. One limitation for new exporters is that the market is well established and trade linkages are solid.

Dried Fruits and Nuts (incl. Peanuts)

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Unit: USD million

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	32.9	31.9	31.6	34
Total Local Production	19.7	18.1	17.7	18.0
Total Exports	10.4	8.7	7.6	8.0
Total Imports	23.6	22.5	21.5	24.0
Imports from the U.S.	2.0	1.7	1.8	1.8
Exchange Rate: 1 USD	202	209	209	209

Hungary has well-developed sweets, confectionery and bakery industries. Household baking is also traditional. Consumption of dried fruits (including raisins) and nuts (including peanuts) is also increasing. Industry looks for better quality and higher value-added raw materials. This means better competitive positions for the more expensive U.S. products. Suppliers from less expensive developing countries have well set market positions. Substantial parts of U.S. imports are re-exported from Germany, Austria or other West European countries due to the need for small volumes but continuous deliveries.

Sub-Sector Best Prospects Return to top

Best prospects are in raisins and almonds

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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With Hungary's accession to the European Union on May 1 2004, Hungary adopted the EU's common external tariff (CXT) rates, resulting in an average tariff level of 3.6 percent.

Hungarian Customs and Finance Guard, http://www.vam.gov.hu/welcomeEn.do

Tariff assessment and all other customs procedures take place at the first port of entry into the EU. However, Hungary still collects the Value Added Tax (VAT) on all goods with Hungary as a final destination. As of July 1, 2009, the VAT increased from 20 to 25 percent. In addition to the 25 percent VAT, a new 18 percent VAT category was introduced for certain products such as dairy products, bakery products and commercial accommodation services. The 18 percent VAT levied on central heating services was lowered to 5 percent as of January 15, 2010.

From an agricultural standpoint, the trade impact of Hungary's EU membership in 2004 resulted in decreased tariffs for most U.S. exports, including animal genetics, corn seed, dry beans, grapefruit, dried fruits and nuts, peanuts, and tobacco. However, tariff increases hurt certain agricultural products like rice, and some kinds of fresh meat. Non-tariff barriers resulting from the adoption of EU sanitary regulations have been detrimental to U.S. exports.

The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily

Key Link:
http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

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For information on existing EU trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by the U.S. Trade Representative, (USTR) available through the following website:
http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file348_15473.pdf
Information on agricultural trade barriers can be found at the following website:
http://www.fas.usda.gov/posthome/useu/
To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at http://www.trade.gov/tcc, the U.S. Mission to the European Union at http://www.buyusa.gov/europeanunion, or CS Budapest at www.buyusa.gov/hungary.

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The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily.

Many EU Member States maintain their own list of goods subject to import licensing. For example, Hungary's restricted "Import List" includes goods like arms/military equipment, explosives & pyrotechnic products, security paper, uranium, radioactive isotopes, etc. The import list indicates code numbers, applicable restrictions, and the agency that will issue the relevant license. The Government Decree No. 110/2004 (IV.28) on the cross-border or crosstariff border trade in goods, services and rights representing material value governs the regulated import of such goods. Link to the Hungarian Trade Licensing Office for further information and updates:
http://mkeh.gov.hu/kereskedelmi/nemzeti/kivitel_behozatal

Non-agricultural Documentation

The official model for written declarations to customs is the Single Administrative Document (SAD). European Free Trade Association (EFTA) countries including Norway, Iceland, Switzerland, and Liechtenstein also use the SAD. However, other forms may be used for this purpose. Information on import/export forms is contained in Title VII, of Council Regulation (EEC) No. 2454/93, which lays down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (Articles 205 through 221). Articles 222 through 224 provide for computerized customs declarations and Articles 225 through 229 provide for oral declarations.

Additional information on import/export documentation can be found in Title III, of Council Regulation (EEC) No. 2913/92 of October 12, 1992, establishing the Community Customs Code (Articles 37 through 57). Goods brought into the customs territory of the Community are, from the time of their entry, subject to customs supervision until customs formalities are completed.

Goods presented to customs are covered by a summary declaration, which is lodged once the goods have been presented to customs. The customs authorities may, however, allow a period for lodging the declaration, which cannot be extended beyond the first working day following the day on which the goods are presented to customs. The summary declaration can be made on a form corresponding to the model prescribed by the customs authorities. However, the customs authorities may permit the use, as a summary declaration, of any commercial or official document that contains the particulars necessary for identification of the goods. It is encouraged that the summary declaration be made in computerized form.

The summary declaration is to be lodged by:

- the person who brought the goods into the customs territory of the Community or by any person who assumes responsibility for carriage of the goods following such entry; or
- the person in whose name the person referred to above acted.

Non-EU goods presented to customs must be assigned a customs-approved treatment or use authorized for such non-Community goods. Where goods are covered by a summary declaration, the formalities for them to be assigned a customs-approved treatment or use must be carried out:

- 45 days from the date on which the summary declaration is lodged in the case of goods carried by sea;
- 20 days from the date on which the summary declaration is lodged in the case of goods carried other than by sea.

Where circumstances so warrant, the customs authorities may set a shorter period or authorize an extension of the period.

The Modernized Customs Code (MCC) of the European Union is expected to be fully put into place by 2013 although there are concerns that this deadline may be missed due to the complexity of the project. Some facets of the MCC implementation have already been put into place such as EU wide Economic Operators Registration and Identification (EORI) numbers. The MCC will replace the existing Regulation 2913/92 and simplify various procedures such as introducing a paperless environment, centralized clearance, and more. Check the EU's Customs website periodically for updates: http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm.

REACH

REACH is a major reform of EU chemicals policy that was adopted in December 2006 and became national law in the 27 EU member states in June 2007 (Regulation 1907/2006). Virtually every industrial sector, from automobiles to textiles, is affected by the new policy. REACH stands for the "Registration, Evaluation and Authorization and Restriction of Chemicals." Since June 1, 2008, REACH requires chemicals produced or imported into the EU in volumes above 1 ton per year to be registered with a central European Chemicals Agency (ECHA), including information on their properties, uses and safe ways of handling them. Chemicals pre-registered before December 1, 2008, benefit from extended registration deadlines, from three to eleven years depending on the volume of the substance and its hazardous properties. U.S. companies without a presence in Europe cannot register directly and must have their chemicals registered through their importer or EU-based 'Only Representative of non-EU manufacturer'. A list of Only Representatives can be found on the website of the U.S. Mission to the EU: http://www.buyusa.gov/europeanunion/reach.html.

U.S. exporters to the EU should carefully consider the REACH 'Candidate List' of substances of very high concern. Substances on that list are subject to communication requirements, and, at a later stage, may require authorization for the EU market. For more information, see the ECHA website:
http://echa.europa.eu/chem_data/authorisation_process/candidate_list_table_en.asp

WEEE & RoHS

EU rules on Waste Electrical and Electronic Equipment (WEEE), while not requiring specific customs or import paperwork, may entail a financial obligation for U.S. exporters. They require U.S. exporters to register the products with a national WEEE authority, or arrange for this to be done by a local partner. Similarly, related rules for EEE Restricting the Use of Hazardous Substances (RoHS) lead, cadmium, mercury, hexavalent chromium, PBBs, and PBDEs, do not entail customs or importation paperwork. However, U.S. exporters may be asked by a European RoHS enforcement authority or by a customer to provide evidence of due diligence in compliance with the substance bans on a case-by-case basis. The WEEE and RoHS Directives are currently being revised to enlarge the scope and add substances to be banned in electrical and electronic equipment; U.S. exporters seeking more information on WEEE and RoHS regulations should visit: http://www.buyusa.gov/europeanunion/weee.html

Agricultural Documentation

Phytosanitary Certificates: Phytosanitary certificates are required for most fresh fruits, vegetables, and other plant materials.

Sanitary Certificates: For commodities composed of animal products or by-products, EU countries require that shipments be accompanied by a certificate issued by the competent authority of the exporting country. This applies regardless of whether the product is for human consumption, for pharmaceutical use, or strictly for non-human use (e.g., veterinary biologicals, animal feeds, fertilizers, research). The vast majority of these certificates are uniform throughout the EU, but the harmonization process is not complete. During this transition period, certain member state import requirements continue to apply. In addition to the legally required EU health certificates, a number of other certificates are used in international trade. These certificates, which may also be harmonized in EU legislation, certify origin for customs purposes and certain quality attributes. Up-to-date information on harmonized import requirements can be found at the following website: http://www.fas.usda.gov/posthome/Useu/certificates-overview.html

Sanitary Certificates (Fisheries): In April 2006, the European Union declared the U.S. seafood inspection system as equivalent to the European one. Consequently, a specific public health certificate must accompany U.S. seafood shipments. Commission Decision 2006/199/EC lays down specific conditions on imports of fishery products from the U.S. Unlike for fishery products, the U.S. shellfish sanitation system is not equivalent to EU's one. The EU and the US are currently negotiating a veterinary equivalency agreement on shellfish. In the meantime the EU has put a ban in place since July 1, 2010, that prohibits the import of US bivalve mollusks, in whatever form, into the EU territory. This ban doesn't apply to wild roe-off scallops.

With the implementation of the second Hygiene Package, aquaculture products coming from the United States must be accompanied by a public health certificate according to Commission Decision 2006/199/EC and the animal health attestation included in the new fishery products certificate, covered by Regulation (EC) 1250/2008. This animal health attestation is not required in the case of live bivalve mollusks intended for immediate human consumption (retail).

Since June 2009, the unique U.S. competent authority for issuing sanitary certificates for fishery and aquaculture products is the U.S. Department of Commerce, National Marine Fisheries Service (NOAA-NMFS).

In addition to sanitary certificates, all third countries wishing to export fishery products to the EU are requested to provide a catch certificate. This catch certificate certifies that the products in question have been caught legally.

For detailed information on import documentation for seafood, please contact the NOAA Fisheries office at the U.S. Mission to the EU (stephane.vrignaud@trade.gov) or visit the following NOAA dedicated web site: http://www.seafood.nmfs.noaa.gov/EU_Export.html

U.S. Export Controls

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Most high-tech technology can be sold to Hungary without U.S. export licenses, but some remain controlled. Depending on the product, export licenses may be issued from the U.S. Department of Commerce's Bureau of Industry and Security, the Department of State, or the Department of Defense. As licensing can be a lengthy process, and U.S. firms should ensure that they do not make delivery commitments until an export license has been approved.
Key Links: http://www.bis.doc.gov/licensing/exportingbasics.htm
http://www.pmdtc.org/licensing_procedures.htm

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For temporary entry of goods, Hungary accepts an ATA Carnet, an international customs document that simplifies customs procedures for the temporary importation of commercial samples, professional equipment, and goods for exhibitions and fairs. The ATA Carnet facilitates international business by avoiding extensive customs procedures and eliminating payment of duties and VAT. The U.S. Council for International Business (USCIB) has been designated by the U.S. Treasury Department as the sole issuer and guarantor of ATA Carnets in the United States. For more information, visit the USCIB at http://www.uscib.org or call (202) 702- 5078.

Goods temporarily imported into Hungary must be kept in a bonded warehouse until re-export. Customs authorities determine the period within which these goods must be re-exported or assigned a new customs-approved treatment or use. The maximum period the goods may remain under temporary importation status is 24 months, although customs authorities may shorten or extend this. A temporary import shipment does not have to be re-exported in total. Any portion of the shipment destined for the domestic or EU market, however, is subject to duties and VAT at the time of importation.

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An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at: http://www.buyusainfo.net/docs/x_4171929.pdf.

The subject is also covered in the section about Standards.

Prohibited and Restricted Imports Return to top

An estimated 95 percent of products imported into Hungary no longer require an import license; however licenses are still required for some goods like arms/military equipment, explosives & pyrotechnic products, security paper, uranium, radioactive isotopes, etc.

The link to the Hungarian Trade Licensing Office is: http://mkeh.gov.hu

EU REGULATIONS

The TARIC is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a product is prohibited or subject to restriction, check the TARIC for that product for the following codes:

CITES	Convention on International Trade of Endangered Species
PROHI	Import Suspension
RSTR	Import Restriction

For information on how to access the TARIC, see the Import Requirements and Documentation Section above.

Key Link:
http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

Customs Regulations and Contact Information Return to top

Homepage of Customs and Taxation Union Directorate (TAXUD) Website

Key Link: http://ec.europa.eu/taxation_customs/customs/index_en.htm

Major Regulatory Efforts of the EC Customs and Taxation Union Directorate:

Electronic Customs Initiative – Deals with major EU customs modernization developments to improve and facilitate trade in the EU member states. The electronic customs initiative is essentially based on the following three pieces of legislation:

- The Security and Safety Amendment to the Customs Code, which provides for full computerization of all procedures related to security and safety;
- The Decision on the paperless environment for customs and trade (Electronic Customs Decision) which sets the basic framework and major deadlines for the electronic customs projects;
- The modernized Community Customs Code which provides for the completion of the computerization of customs

Key Link:
http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/electronic_customs_legislation/index_en.htm

Customs Valuation – Most customs duties and value added tax (VAT) are expressed as a percentage of the value of goods being declared for importation. Thus, it is necessary to dispose of a standard set of rules for establishing the goods' value, which will then serve for calculating the customs duty. The EU imports in excess of two trillion euro worth of goods (year 2008 estimate). It is vitally important that the value of such commerce is accurately measured, for the purposes of:

- economic and commercial policy analysis,
- application of commercial policy measures,
- proper collection of import duties and taxes, and
- import and export statistics.

These objectives are met using a single instrument - the rules on customs value.

The EU applies an internationally accepted concept of 'customs value'.

The value of imported goods is one of the three 'elements of taxation' that provides the basis for assessment of the customs debt, which is the technical term for the amount of duty that has to be paid, the other ones being the origin of the goods and the customs tariff.

Key Link:
http://ec.europa.eu/taxation_customs/customs/customs_duties/declared_goods/index_en.htm

Customs and Security – At the end of July 2003, the Commission presented to the Parliament and Council a series of measures to address security issues. These measures can be found in two communications and a proposal for amending the Community Customs Code. This package brings together the basic concepts underlying the new security-management model for the EU's external borders, such as a harmonized risk assessment system. The security amendment to the Community Customs Code (Regulation (EC) n° 648/2005 of 13 April 2005) has been published in the Official Journal of the European Union on 4 May 2005. With this amendment the European Union introduces a number of measures to tighten security around goods crossing international borders. The measures will mean faster and better-targeted checks. The results are positive for customs authorities, the public and Industry.

The measures cover three major changes to the Customs Code:

- require traders to provide customs authorities with information on goods prior to import to or export from the European Union (see Pre Arrival / Pre Departure Declarations);
- provide reliable traders with trade facilitation measures see Authorized Economic Operator (AEO);
- introduce a mechanism for setting uniform Community risk-selection criteria for controls, supported by computerized systems.

Key Link:
http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/index_en.htm

Contact Information at national customs authorities:

http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/contact_points/index_en.htm

Key Link: Hungarian Customs and Finance Guard: http://www.vam.hu/welcomeEn.do

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Products tested and certified in the United States to American standards are likely to have to be retested and re-certified to EU requirements as a result of the EU's different approach to the protection of the health and safety of consumers and the environment. Where products are not regulated by specific EU technical legislation, they are always subject to the EU's General Product Safety Directive as well as to possible additional national requirements.

European Union standards created under the New Approach are harmonized across the 27 EU member states and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. For a list of New Approach legislation, go to http://ec.europa.eu/enterprise/policies/european-standards/documents/harmonised-standards-legislation/list-references/index_en.htm

While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be aware that regulations (mandatory) and technical standards (voluntary) might also function as barriers to trade if U.S. standards are different from those of the European Union.

Agricultural Standards

The establishment of harmonized EU rules and standards in the food sector has been ongoing for several decades, but it took until January 2002 for the publication of a general food law establishing the general principles of EU food law. This regulation introduced mandatory traceability throughout the feed and food chain as of Jan 1, 2005. For specific information on agricultural standards, please refer to the Foreign Agricultural Service's website at: http://www.fas.usda.gov/posthome/Useu/

There are also export guides to import regulations and standards available on the Foreign Agricultural Service's website: http://www.fas.U.S.da.gov/posthome/Useu/

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EU standards setting is a process based on consensus initiated by Industry or mandated by the European Commission and carried out by independent standards bodies, acting at the national, European or international level. There is strong encouragement for non-governmental organizations, such as environmental and consumer groups, to actively participate in European standardization.

Many standards in the EU are adopted from international standards bodies such as the International Standards Organization (ISO). The drafting of specific EU standards is handled by three European standards organizations:

- CENELEC, European Committee for Electrotechnical Standardization (http://www.cenelec.eu/Cenelec/Homepage.htm)

- ETSI, European Telecommunications Standards Institute (http://www.etsi.org/)

- CEN, European Committee for Standardization, handling all other standards (http://www.cen.eu/cenorm/homepage.htm)

Standards are created or modified by experts in Technical Committees or Working Groups. The members of CEN and CENELEC are the national standards bodies of the member states, which have "mirror committees" that monitor and participate in ongoing European standardization. CEN and CENELEC standards are sold by the individual member states standards bodies. ETSI is different in that it allows direct participation in its technical committees from non-EU companies that have interests in Europe and gives away some of its individual standards at no charge on its website. In addition to the three standards developing organizations, the European Commission plays an important role in standardization through its funding of the participation in the standardization process of small- and medium-sized companies and non-governmental organizations, such as environmental and consumer groups. The Commission also provides money to the standards bodies when it mandates standards development to the European Standards Organization for harmonized standards that will be linked to EU technical legislation. Mandates can be checked on line at http://ec.europa.eu/enterprise/policies/european-standards/standardisation-requests/index_en.htm

Due to the EU's vigorous promotion of its regulatory and standards system as well as its generous funding for its development, the EU's standards regime is wide and deep - extending well beyond the EU's political borders to include affiliate members (countries which are hopeful of becoming full members in the future) such as Albania, Belarus, Macedonia, and Turkey among others. Another category, called "partner standardization body" includes the standards organization of Australia, which is not likely to become a CEN member or affiliate for political and geographical reasons. Many other countries are targets of the EU's extensive technical assistance program, which is aimed at exporting EU standards and technical Regulations to developing countries, especially in the Mediterranean and Balkan countries, Africa, as well as programs for China and Latin America.

To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. CEN's "sectors" page provides an overview by sector and/or technical committee whereas CENELEC offers the possibility to search its database. ETSI's portal (http://portal.etsi.org/Portal_Common/home.asp) leads to ongoing activities.

With the need to adapt more quickly to market needs, European standards organizations have been looking for "new deliverables" which are standard-like products delivered in a shorter timeframe. While few of these "new deliverables" have been linked to EU legislation, expectations are that they will eventually serve as the basis for EU-wide standards.

Key Link: http://www.cen.eu/cenorm/products/cwa/index.asp

Hungary is represented by the Hungarian Standards Institution (MSZT) in the following international and European standards organizations:

- International Electrotechnical Commission (IEC)
- European Committee for Standardization (CEN)
- European Committee for Electrotechnical Standardization (CENELEC)
- European Telecommunication Standards Institute (ETSI)

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

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Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages, from design to production, to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. Conformity assessment bodies in individual member states are listed in NANDO, the European Commission's website.

Key Link: http://ec.europa.eu/enterprise/newapproach/nando/

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and CEN workshop agreements (CWA) Certification Rules. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

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To sell products on the EU market of 27 member states as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. There is no easy way for U.S. exporters to understand and go through the process of CE marking.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE marking addresses itself primarily to the national control authorities of the member states, and its use simplifies the task of essential market surveillance of regulated products.

The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

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Independent test and certification laboratories, known as notified bodies, have been officially accredited by competent national authorities to test and certify to EU requirements.

European Accreditation (http://www.european-accreditation.org/content/home/home.htm) is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN45003 or ISO/IEC Guide 58.

Key Link: Hungarian Accreditation Board: http://www.nat.hu/

Publication of Technical Regulations

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The Official Journal is the official gazette of the European Union. It is published daily on the internet and consists of two series covering draft and adopted legislation as well as case law, studies by committees, and more (http://eur-lex.europa.eu/JOIndex.do). It lists the standards reference numbers linked to legislation (http://ec.europa.eu/enterprise/policies/european-standards/documents/harmonised-standards-legislation/list-references/index_en.htm).

National technical Regulations are published on the Commission's website http://ec.europa.eu/enterprise/tris/index_en.htm to allow other countries and parties to comment. Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT) Agreement to report to the WTO all proposed technical regulations that could affect trade with other member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect access to international markets. Register online at Internet URL:
http://tsapps.nist.gov/notifyU.S./data/index/index.cfm

The Hungarian Official Gazette of Standards (Magyar Szabványügyi Közlöny) is available through the website of the Hungarian Standards Office:
http://www.mszt.hu/kozlony/SECURE/index.asp
The Hungarian Standards Office also offers a searchable online database of national standards: http://www.mszt.hu/standardsearch/secure/intro2.asp

Both services are available for a fee and are only in Hungarian.

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Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the right of member states to require the use of the language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

Key Link: http://ec.europa.eu/enterprise/prepack/packsize/packsiz_en.htm

The Eco-label

The EU eco-label is a voluntary label which U.S. exporters can display on products that meet high standards of environmental awareness. The eco-label is intended to be a marketing tool to encourage consumers to purchase environmentally-friendly products. The criteria for displaying the eco-label are strict, covering the entire lifespan of the product from its manufacture, use, and disposal. These criteria are reviewed every three to five years to take into account advances in manufacturing procedures. There are currently twenty-three different product groups, and approximately 250 licenses have been awarded for several hundred products.

Applications to display the eco-label should be directed to the competency body of the member state in which the product is sold. The application fee will be somewhere between €300 and €1300 depending on the tests required to verify if the product is eligible. The eco-label also carries an annual fee equal to 0.15% of the annual volume of sales of the product range within the European community. However, the minimum annual fee is currently set at €500 and maximum €25,000.

There are plans to significantly reform the eco-label in the near future, reducing the application and annual fees and expanding the product ranges significantly. It is also possible that future eligibility criteria may take into account carbon emissions.

Key Links:
Eco-label Home Page
Product Categories eligible for the Eco-label
Eco-Label Catalogue
List of Competent Bodies
Revision of the Eco-label
The Eco-label and Carbon Footprint

HUNGARIAN REGULATION

Hungary has strict labeling requirements specified by product groups. The primary requirement for consumer goods is that the product information must be in Hungarian. This can also be a Hungarian sticker placed on the existing packaging.

The following information must be present in Hungarian on the label of foods:

-Product type (Trademarks, brand names or fanciful names may not substitute the generic/product name, but may be used in addition to the product name)
-List of ingredients preceded by the word “Ingredients”; must show all ingredients (including additives) in descending order of weight as recorded at the time of their use in the manufacture and designated by their specific name. In the case of those products that may contain ingredients liable to cause allergies or intolerances, a clear indication should be given on the label by the word “contains” followed by the name of the ingredient. However, this indication will not be necessary provided the specific name is included in the list of ingredients.
-Net quantity in metric units (liter, centiliter, milliliter)
-Date of minimum durability – not required for wine and beverages containing more than 10% alcohol by volume
-Special conditions for keeping or use (if applicable)
-Name or business name and address of the manufacturer, packager or importer established in the European Union
-Country of origin or provenance (if outside the EU)
-Alcohol content for beverages containing more than 1.2% by volume
-Lot identification with the marking preceded by the letter "L". the name of the product

The following information must appear in Hungarian on the label of cosmetics:
-Name or business name and address of the manufacturer, packager or importer established in the European Union
-Country of origin or provenance (if outside the EU)
-Name and intended function of the product, except when it is evident from the appearance, instructions for use, when it is reasonable
-Nominal content valid at the time of packing, according to mass or volume
-Shortest time of keeping quality, e.g.: best before year/month

-When needed, prescription of storage conditions, important from the point of view of keeping quality,
-Prescriptions of precaution required in the case of consumer or professional use
-Enumeration of all components.

Specific references on technical (e.g. electric) certificates issued by Hungarian authorities must be attached to the individual packing.

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Key Links:

The Hungarian Standards Office: http://www.mszt.hu/angol/index_eng.htm
The Hungarian Accreditation Board: http://www.nat.hu/
Major Notified Bodies can be found at the end of Chapter 5: in Web Resources

Trade Agreements Return to top

For a list of trade agreements with the EU and its member states, as well as concise explanations, please see http://tcc.export.gov/Trade_Agreements/index.asp.

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Hungarian Customs and Finance Guards http://www.vam.gov.hu/welcomeEn.do
Hungarian Licensing and Export Control Office http://mkeh.gov.hu
Hungarian Standards Office: http://www.mszt.hu/angol/index_eng.htm
Hungarian Accreditation Board: http://www.nat.hu/

EU websites:

Online customs tariff database (TARIC):
http://ec.europa.eu/taxation_customs/common/databases/taric/index_en.htm

The Modernized Community Customs Code MCCC):

http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm.

ECHA: http://echa.europa.eu/doc/press/pr_08_38_candidate_list_20081028.pdf

Taxation and Customs Union:
http://ec.europa.eu/taxation_customs/customs/index_en.htm

Regulation (EC) 648/2005:
Security and Safety Amendment to the Customs Code

Decision N° 70/2008/EC:

http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/electronic_customs_legislation/index_en.htm

Regulation (EC) 450/2008):
Modernized Community Customs Code

Legislation related to the Electronic Customs Initiative:
http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/electronic_customs_legislation/index_en.htm

International Level:
Customs value

What is Customs Valuation?
http://ec.europa.eu/taxation_customs/customs/customs_duties/declared_goods/index_en.htm

Customs and Security:
Two communications and a proposal for amending the Community Customs Code
http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/index_en.htm

Establishing the Community Customs Code:
Regulation (EC) n° 648/2005 of 13 April 2005

Pre Arrival/Pre Departure Declarations: Pre Arrival / Pre Departure Declarations

AEO: Authorized Economic Operator

Contact Information at National Customs Authorities:
http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/contact_points/index_en.htm

New Approach Legislation: http://ec.europa.eu/enterprise/policies/european-standards/documents/harmonised-standards-legislation/list-references/index_en.htm

Cenelec, European Committee for Electrotechnical Standardization:
http://www.cenelec.eu/Cenelec/Homepage.htm

ETSI, European Telecommunications Standards Institute:
http://www.etsi.org/

CEN, European Committee for Standardization, handling all other standards:
http://www.cen.eu/cenorm/homepage.htm

Standardisation – Mandates:
http://ec.europa.eu/enterprise/standards_policy/mandates/.
http://ec.europa.eu/enterprise/policies/european-standards/standardisation-requests/index_en.htm

ETSI – Portal – E-Standardisation :
http://portal.etsi.org/Portal_Common/home.asp

CEN – Sector Fora:
http://www.cen.eu/cenorm/sectors/index.asp

Nando (New Approach Notified and Designated Organizations) Information System:
http://ec.europa.eu/enterprise/newapproach/nando/

Mutual Recognition Agreements (MRAs):
http://ts.nist.gov/Standards/Global/mra.cfm

European Co-operation for Accreditation:
http://www.european-accreditation.org/content/home/home.htm

Eur-Lex – Access to European Union Law:
http://eur-lex.europa.eu/en/index.htm

Standards Reference Numbers linked to Legislation:
htt http://ec.europa.eu/enterprise/policies/european-standards/documents/harmonised-standards-legislation/list-references/index_en.htm
p://ec.europa.eu/enterprise/newapproach/standardization/harmstds/whatsnew.html

National technical Regulations:
http://ec.europa.eu/enterprise/tris/index_en.htm

NIST - Notify U.S.: http://tsapps.nist.gov/notifyU.S./data/index/index.cfm

Metrology, Pre-Packaging – Pack Size:
http://ec.europa.eu/enterprise/prepack/packsize/packsiz_en.htm

European Union Eco-label Homepage:
http://ec.europa.eu/comm/environment/ecolabel/index_en.htm

Eco-Label Catalogue:
http://www.eco-label.com/default.htm

U.S. websites:

National Trade Estimate Report on Foreign Trade Barriers:
http://www.ustr.gov/about-us/press-office/reports-and-publications/2009/2009-national-trade-estimate-report-foreign-trad

Agricultural Trade Barriers:
http://www.fas.U.S.da.gov/posthome/Useu/

Trade Compliance Center:
http://www.trade.gov/tcc

U.S. Mission to the European Union:
http://www.buyusa.gov/europeanunion

The New EU Battery Directive:
http://www.buyusainfo.net/docs/x_8086174.pdf

The Latest on REACH:
http://www.buyusa.gov/europeanunion/reach.html.

WEEE and RoHS in the EU:
http://www.buyusa.gov/europeanunion/weee.html

Overview of EU Certificates:
http://useu.usmission.gov/agri/certificates-overview.html

Center for Food Safety and Applied Nutrition:
http://www.cfsan.fda.gov/

EU Marking, Labeling and Packaging – An Overview
http://www.buyusainfo.net/docs/x_4171929.pdf.

The European Union Eco-Label:
http://buyusainfo.net/docs/x_4284752.pdf

Trade Agreements:
http://tcc.export.gov/Trade_Agreements/index.asp

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Chapter 6: Investment Climate

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Hungary maintains an open economy and attracting foreign investment remains a stated priority for the Hungarian government. According to the Hungarian Investment and Trade Development Agency (ITDH), "foreign direct investment (FDI) has been crucial in boosting economic performance and remains the driving force behind Hungary's economic success, fueling its strong export growth and significantly increasing productivity." With approximately USD 90 billion in FDI since 1989, Hungary has been a leading destination for FDI in Central and Eastern Europe over the past several years. Germany is the most important country of origin with 22 percent of all FDI, followed by Austria (14 percent) and the Netherlands (13 percent). The United States is the largest non-European investor at 104 percent of FDI. Automotive industry, software development, and life sciences receive the highest amount of capital investment. FDI inflow in 2008 reached EUR 4.8 billion, however due to the global financial crisis, FDI inflow dropped and reached only EUR 1.02 billion in 2009 as companies became more cautious about committing capital to large investments. The estimated number of companies in Hungary with U.S. origin is 600, although the figure is closer to 1000 if representation and sales offices are considered.

Hungary's high-quality infrastructure, its productive and highly skilled labor force, and its central geographic location are often cited as features that make Hungary an attractive destination for investment. In 2010, the government passed a number of tax changes, including reductions in personal income and business tax rates in order to increase Hungary's regional competitiveness and attractiveness to investment. The investment promotion agency, Hungarian Investment and Trade Development Agency (ITDH), views Hungary as a particularly well suited location for research and development centers; manufacturing facilities; and service centers, and believes that considerable opportunities exist in the biotechnology; information and communications technology; software development; renewable energy; automotive; and tourism sectors.

Despite Hungary's advantages, some businesses complain that obstacles and disincentives to investment remain, including a lack of transparency and predictability; reports of corruption, particularly in the government procurement sector; and barriers related to excessive red tape. (Rob – a sentence here on the transparency international ranking).

In June 2010, weeks after the new government was swept into power with a two-thirds super majority, it announced the introduction of “crisis taxes” targeting banking, energy, telecommunications, and retail sectors. Manufacturing – clearly a sector that is valued by the Hungarian government - was not targeted by the taxes. The crises taxes were unveiled as being three-year, limited-duration, extraordinary measures. The government stated that they would use the funds generated by the crises taxes to shore up the government budget until more long-term, structural changes were made. However by March, just a few months after they were introduced, the government acknowledged that the “crisis taxes” will exist in some form until 2013, and the banking and financial services tax will continue in whatever form an EU-wide banking levy has taken by then.

Many foreign companies have expressed displeasure and frustration with the unpredictability of Hungary’s shifting tax regime, as well as the retroactive nature of some of the tax measures. In December 2010, fourteen European companies filed a complaint with the European Commission, maintaining that the taxes discriminated against foreign firms in favor of domestic companies. The IMF has also criticized the taxes, stating, “The levies are difficult to justify on economic grounds as they discriminate among sectors and send negative signals about the government’s attitude towards foreign investment, which is critical for Hungary.” Many critics have claimed that the taxes will have the adverse effect of reducing foreign investment and economic growth, and will offset economic benefits of recently approved cuts in personal and corporate tax rates.

Hungary continues to work its way through an era of significant economic reform, which has left an unclear roadmap for the business community. As promised, the government announced a structural reform program in March. The plan promises to reduce expenditures and eliminate the need for special taxes at the “crisis tax” level. Although elements of the program are still unclear, and lack detail, if they are implemented as promised they could, ultimately, make Hungary a far more attractive investment location. Finally, although these reforms were designed without significant consultation with stakeholders, the government was emphatic about its intention to increase consultation as the details evolve.

Index/Ranking	**Year**	**Rank**	**Hungary Result**	**Scale**
Transparency International	2010	50/178	4.7	From 1 to 10, most corrupt = 1

Corruption Perception Index				
Heritage Economic Freedom	2010	51/183	66.6	From 1 to 100, most free = 100
World Bank Doing Business	2011	46/183	n/a	Out of 183 countries and territories
World Economic Forum Competitiveness Report	2010/2011	52/139	4.33	The higher the score the more competitive

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Economic Recovery

Hungary continues to emerge from the 2008/2009 global financial crisis, with an expected growth rate of approximately 1 percent for 2010, and a projected growth rate of 2.5 to 3 percent for 2011. Hungarian exports, particularly to Germany, continue to improve, and Hungary currently maintains a trade and current account surplus. As the result of several large scale investments, particularly in the automotive sector, there is a strong increase in manufacturing investment in 2010. Recently enacted reductions in personal and corporate income tax rates are intended to help stimulate domestic consumption and attract investment. The unemployment rate declined from 11.4% in 2009 to 10.7% in 2010, although the employment rate in Hungary remains well below the OECD average.

In October 2008, the European Union (EU), the International Monetary Fund (IMF), and the World Bank provided Hungary with a EUR 20 billion stabilization package. The new Fidesz government, which won a historic two-thirds majority in the April 2010 parliamentary elections, has declined to negotiate a follow-on Stand-by Arrangement with the IMF, noting that it has the ability to meet its current and short-term financing needs through market financing. The government has committed to continued deficit reduction, maintaining the previous government's deficit targets for 2010 and 2011.

While welcoming the government's commitment to continued deficit reduction (particularly given Hungary's high debt to GDP ratio, which reached over 82 percent in January 2011), many outside observers, including international credit-rating agencies, have criticized the government's failure to enact structural reforms as a more fiscally sustainable way to meet budget targets, rather than through short-term tax increases and one-off measures. Other actions, including suspending payments into the private pillar of the pension system (which makes it financially disadvantageous for most beneficiaries who choose to remain in the private pillar of the pension system) and eliminating the independent Fiscal Council budget watchdog agency, have also drawn widespread criticism. In 2010, the three major credit rating agencies reduced their ratings on Hungarian bonds to the lowest investment grade. New foreign currency loans have largely disappeared from the market, but many companies and households still have high exposure to foreign currency loans. It is estimated that half of Hungary’s household debt (USD 26.5 billion) is in Swiss francs.

The Ministry of Economy has stated it plans to announce long-anticipated structural reforms as early as the end of February 2011. These reforms are intended to address medium and long-term fiscal concerns. In addition, the government hopes that its recent cuts in the personal and corporate income taxes rates will be able to spur longer-term growth, which in turn will have a positive effect on its budgetary situation.

Framework for Foreign Investment

Since 1989, Hungary has undergone a dramatic transformation from a centrally planned economy to an open, pro-business economy. In 2004 it became a member of the European Union. The Hungarian Constitution guarantees private ownership, right of enterprise, and freedom of competition. In November 2010, Parliament moved to restrict tax and budgetary matters, under certain circumstances, from the Constitutional Court's purview. Parliament is in the process of drafting a new Constitution. The government announced hope that it would be voted on by April 25, 2011. The government engages in reasonably transparent regulation. Financial markets are highly developed and smoothly operating, and reflect a level of sophistication indicative of an early reformer in the region.

The Ministry of Economic Affairs established the ITDH in 1993, and this agency continues to help companies looking to make major investments in the country. ITDH has set up a "one-stop-shop" service for potential large investors. Effective January 1, 2011, ITDH will become the National External Economy Office (NKH), operating under the Minister of National Economy. The size of the NKH is anticipated to be much smaller than the former ITDH. The government has a National Development Program II (NDPII) for channeling EU development funds and the Smart Hungary investment incentive program, aimed at facilitating investments in key areas for development, especially in less developed regions.

The Investors' Council is intended to operate as a mechanism to maintain Hungary's economic competitiveness and attractiveness to foreign investors. Co-chaired by the Minister of Economy and a leading private sector business executive, it is made up of the largest investors, including foreign investors, economists, NGO's, and business chambers. Although it was active in previous years, the Investors' Council has not convened since the April 2010 parliamentary elections.

A substantial body of laws protects foreign investment in Hungary, provides national treatment and enables profit repatriation. The most important are the 1988 Law on Business Organizations, as amended in 1997 (no. CXLIV), the 1990 Law on Enterprise, the 1992 law on transforming state companies into economic associations, the 1990 and the 1996 Competition Laws, and the 1995 Privatization Law. Other important laws include the 1991 Law on Bankruptcy, the Law on Securities, and the 1994 Law establishing the Commodity Exchange. Legislation is uniform for all investors regardless of their origin. Institutions and procedures are in place to ensure compliance with legislation and competition rules. The applicability of these laws extends without differentiation to domestic and foreign investors.

The most notable legislation protecting both foreign and domestic investors is the Foreign Investment Act of 1988. It grants full protection to the investments and businesses of non-Hungarian resident investors and guarantees that investors will be treated in the same manner as national investors. The Act also contains a repatriation guarantee under which foreign investors are free to remit profits and investment capital to their home country in the event of partial or complete termination of their enterprise.

Commercial law in Hungary is well developed; however, most analysts see both a need to continue to revise the corporate legal code and to improve the judicial and administrative capacity for enforcing it. There continue to be complaints from foreign investors about the slow pace of the judicial system, and the need for timelier judicial due process.

Up to 100 percent foreign ownership is permitted with the exception of designated "strategic" holdings in some defense-related industries. Foreigners investing in financial institutions and insurance companies must officially notify the government but do not need advance authorization. Foreign financial institutions may operate branches and conduct cross-border financial services in Hungary, in keeping with OECD commitments. Currently, foreign firms control two-thirds of manufacturing, 90 percent of telecommunications, and 60 percent of the energy sector. The private sector currently produces about 80 percent of Hungary's output.

The Hungarian State Holding Company (MNV) became the legal successor to the Hungarian Privatization and State Holding Company (APV) in 2008, and is responsible for managing and privatizing state-owned properties. With most state-owned companies now privatized, however, the pace of privatizations has slowed considerably in recent years.

Ownership in Hungary is considerably more concentrated than in the U.S. It is common for one or two stockholders to have a controlling stake in even large corporations. Crossholdings are common and the independence of directors sometimes difficult to establish.

Land-Ownership Restrictions: Under the Investment Act, a company incorporated in Hungary may only acquire real estate "required for its economic activities," but this has been broadly interpreted and has not prevented foreign entrepreneurs from engaging in property development. The 1994 Land Law restricts the purchase of land by foreigners to 6,000 square meters, but allows for leases of up to 300 hectares for a maximum of 10 years. Only private Hungarian citizens and EU citizens resident in Hungary and engaged in agricultural activity can purchase farmland, while others may lease it. Restrictions on foreigners buying land were scheduled to remain in force for seven years following EU membership. In 2010 the EU granted a three-year extension of this transitional period.

Expropriation and Compensation Return to top

A 1990 Constitutional amendment provides protection against expropriation, nationalization, and any arbitrary action by the government except in cases of acute national concern. In such cases, immediate and full compensation is to be provided to the owner. There are no known cases where the Hungarian government has discriminated against U.S. investments, companies, or representatives in expropriation.

Dispute Settlement
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Hungary has an independent judiciary and well-developed system of commercial law. The legal process, however, can be quite lengthy. Hungary modernized its court system as of January 1, 2003. A new level has been added to the previous three-level court system, which consisted of Local Courts, Courts of Appeal, and the Supreme Court. In order to decrease the workload of each court and, as a consequence, reduce the time of the appeal process, the Parliament established five regional courts called the High Court of Justice. EU membership empowers private parties to appeal violations of EU rights or regulations directly to EU bodies, providing another means of redress in potential disputes. Investment disputes are infrequent and do not reflect a pattern in Hungary. Mediation is spreading, but is not yet a widely used means to settle disputes.

Contracts can include sole arbitration by a foreign court. Contractual rights have to be met and failure to do so can be challenged in court. Proceedings and rulings can be lengthy and the legal system is slow and overburdened. Courts and the prosecution are independent and there is no evidence of influence by the government.

The Act on Bankruptcy Procedures, Liquidation Procedures and Final Settlement, as amended in 1993, covers all commercial entities except banks (which have their own regulatory statutes), trusts, and state-owned enterprises. Bankruptcy proceedings can be initiated only by the debtor provided he/she has not sought bankruptcy protection within the previous three years. Within 90 days of seeking bankruptcy protection, the debtor must call a settlement conference to which all creditors are invited. Majority consent of the creditors present is required for all settlement plans. If agreement is not reached, the court can order liquidation. The Bankruptcy Act establishes the following priorities of claims to be paid: 1) liquidation costs; 2) secured debts; 3) claims of individuals; 4) social security and tax obligations; 5) all other debts. Creditors may request the court to appoint a trustee to perform an independent financial examination. The trustee has the right to challenge, based on conflict of interest, any contract concluded within 12 months preceding the bankruptcy.

Hungary has accepted binding international arbitration in cases where the resolution of disputes between foreign investors and the state is unsuccessful. There are domestic arbitration bodies within the Hungarian Chamber of Commerce, the Ministry of Labor, and local municipal governments. Hungary is a member of the International Center for the Settlement of Investment Disputes (ICSID). Hungary is also a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. In the last few years mediation has become a tool of increasing importance for dispute settlement to avoid lengthy court procedures.

Performance Requirements and Incentives
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Performance requirement/incentives are available to all enterprises registered in Hungary, regardless of the nationality of owners or location of incorporation, and applied on a systematic basis. To comply with European Union rules, the government of Hungary no longer grants tax holidays based on investment volume.

Eligibility for incentives is regulated by GOH Decree 163/2001, as amended by 241/2002, in accordance with EU regulations. Incentives can be received by tendering procedures for: (1) research and development, employment, training; (2) economic sectors; or (3) regions. The government defines an intensity indicator for incentives, which is the maximum value of the total of various incentives in proportion to the present value of the investment. This can be higher for less developed areas or for small and medium sized enterprises (SMEs).

Hungary has a well developed incentive system for investors, the cornerstone of which is a special incentive package for investments over a certain value (typically over EUR 10 million). The incentives are focused on investors establishing manufacturing facilities, logistics facilities, regional service centers, R&D facilities, bioenergy facilities, or tourist facilities. Incentive packages may consist of cash subsidies, development tax allowances, training subsidies, and job creation subsidies. The incentive system is compliant with EU regulations on competition and state aid and is administered by the Hungarian Investment and Trade Development Agency and managed by the Ministry of Development and Economy.

Parliament enacted a new National Development Plan for 2007-2013. In the Framework of the New Hungary Development Plan (NHDP), Hungary will receive around EUR 22.4 billion from the EU. This will be complemented by the national public contribution amounting to 15 percent of the total available funding. The Hungarian government will add to this amount around 1,000 billion HUF (~EUR 36 billion). Projects using EU structural and cohesion funds will be subject to a series of requirements, including a portion of own-source financing. As these programs become implemented, the inflow of EU funds will create numerous opportunities for investment. In an attempt to ease the effects of the global financial crisis, the GOH initiated an economic stimulus package worth over EUR 5 billion for businesses, including SMEs that have been particularly affected by the unavailability of credit. In the current climate, loans have been hard to obtain even for SMEs with good credit histories, and expiring loans have been hard to renew. The package includes a EUR 1.4 billion liquidity package (micro loans, SME loans, Hungarian Development Bank loans), a credit guarantee of over EUR 270 million, as well as interest and venture capital subsidies from the New Hungary Development Program and the New Hungary Rural Development Program. The division of EU Resources for the Sectoral Operative programs is as follows (2007-2013):

Sectoral Operative Programs	**Billion HUF**	**USD Billion (approximate)**
Economic development	674,03	3.10
Transport	1721,47	7.92
Social Renewal	933,29	4.29
Social infrastructure	538,95	2.48
State Reform	40,61	0.18
Electronic Public Administration	99,49	0.46
Environment, Energy	1053,56	4.85
Implementation	94,88	0.44

National Performance Reserve	98,38	0.45
Regional Operative Programs	1620,59	7.45
NHDP total	**6875,25**	**31.63**

Performance requirements, such as job creation or investment minimums, can be imposed as a condition for establishing, maintaining, or expanding an investment. There is no requirement that investors purchase from local sources, however the EU Rule of Origin applies. The government imposes "offset" requirements for defense sector investments over one billion forint. Investors are not required to disclose proprietary information to the government as part of the regulatory process. There are no restrictions on participation in government financed or subsidized research and development programs.

Visa, residence, and work permit requirements are a lengthy and tedious hurdle but do not inhibit foreign investors' mobility. Employment of foreign nationals must meet Hungarian Labor Code requirements.

There have been no complaints against Hungary related to any failure to fulfill any trade related investment measures (TRIMS) treaty obligation.

Right to Private Ownership and Establishment Return to top

The Hungarian constitution guarantees the right to private ownership. Foreign and domestic private entities may establish and own business enterprises and engage in all forms of remunerative activity, except those prohibited by law. Hungarian law guarantees the right of establishment of private entities, as well as the right to acquire and dispose of interests in business enterprises. Many foreign companies operate through representative offices.

The Foreign Investment Act of 1988 grants full protection to the investments and businesses of non-Hungarian resident investors. The Act guarantees that investors will be treated in the same manner as national investors, and contains a repatriation guarantee under which foreign investors are free to remit profits and investment capital to their home country in the event of partial or complete termination of their enterprise.

In 2010 the government enacted changes to the pension system that make it economically disadvantageous for most beneficiaries to remain in the private (second) pillar of the pension system, with the likely result that most of the EUR 9.8 billion of privately managed pension assets will be transferred into the state pay-as-you-go system. The state debt manager (AKK) will be responsible for all of the new assets under state control. It is estimated that 3 million Hungarians will be affected by this change.

The registration of business associations is compulsory in Hungary. All firms registered in Hungary are under the Court of Registration's legal authority. The Court maintains a fully computerized registry, provides public access to company information, and is developing an electronic filing system. The Court also enforces compliance with the

Company Act, enacted in June 1998, which compels registry courts to process applications to register limited liability and joint-enterprise companies within 30 days (60 days for unincorporated business entities). If the court fails to act in the period, the new company is automatically registered. The act eliminated separate registrations at the tax and social security authorities. The minimum capital required for a limited-liability company is approximately USD 13,800 and for a joint stock company it is approximately USD 92,000. As of July 1, 2008 businesses may be established in one hour's time electronically or by a simplified registration procedure. GOH announced the intention to decrease administrative burdens by 25 percent by 2012.

Protection of Property Rights Return to top

Secured interests in property (mortgages), both movable and real, are recognized and enforced but there is no title insurance in Hungary.

Intellectual Property Rights: On January 1, 2003, Hungary acceded to the European Patent Convention and has accordingly amended the Hungarian Patent Act. . It is a party to the WTO Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement and most other major international IPR agreements, including the most recent World Intellectual Property Organization (WIPO) copyright Treaty and the WIPO Performance and Phonograms Treaty. It is also a party to the EU Information Society Directive, and implemented the EU Enforcement Directive in 2005.

The United States and Hungary signed a Comprehensive Bilateral Intellectual Property Rights (IPR) Agreement in 1993 that addresses copyright, trademarks and patent protection. A subsequent industrial property and copyright law entered into force on July 1, 1994, that significantly strengthened the domestic patent system. A new Copyright Law passed in June 1999 made necessary technical changes required by the WTO TRIPS Agreement.

The 1993 IPR agreement recognizes an exclusive right to authorize the public communication of works, including the performance, projection, exhibition, broadcast, transmission, retransmission or display of these works. It also requires that protected rights be freely and separately exploitable and transferable (contract rights), and recognizes an exclusive right to authorize the first public distribution, including import, for protected works.

Patent protection in Hungary covers the use, sale, offering for sale, and import of a patented product or products made using a patented process. The definition of infringement has been extended to include "supplying the means." A person who sells or offers to sell the means of producing a patented product is liable if that person is proven to have known that the means could be used for infringement. An example is the sale of decoder boxes that would allow the user to pirate a cable signal.

Under the revised Patent Act, effective January 1, 1996, an invention may be patented if it is novel and has industrial application. The patent application process takes from six months to one year, and patents are issued for a period of twenty years from the filing date. Foreigners applying for a Hungarian patent whose permanent residence is not in the European Economic Area (EEA) must be represented by an authorized Hungarian patent agent. Hungarian patent law conforms to the guidelines of the European Patent Convention, to which Hungary is a signatory.

Trademarks may be granted for any product-distinguishing sign capable of being graphically represented. They are issued for ten years and are renewable. The Hungarian Patent Office has competency over patent revocation and trademark invalidity proceedings, while all disputes related to the infringement of IPR fall under the jurisdiction of the courts.

In May 2004 the United States Trade Representative (USTR) announced that Hungary was placed upon the Special 301 Watch list of countries owing to weak enforcement and inadequately protected confidential pharmaceutical test data. The government of Hungary has taken some positive steps towards more complete implementation of its international obligations by putting into effect a ministerial decree to provide data exclusivity protection for pharmaceutical products authorized in the EU or Hungary after April 11, 2001. Due to this and other measures, USTR removed Hungary from the Special 301 Watch List in 2010.

In January 2008, the GOH established a National Board Against Counterfeiting and Piracy (HENT), led by a government commissioner, the Hungarian Patent Office (HPO), and the Ministry of Justice (MOJ), with participation from law enforcement and other government agencies, various business chambers, industry associations, and NGOs. The Board established a strategy until the end of 2010, which was approved by the government in October 2008. Since its creation, the HENT has undertaken a number of positive measures to increase training of judicial and law enforcement officials, improve coordination between rights-holders and law enforcement officials, and increase public awareness of the importance of intellectual property rights protection. Ongoing areas of concern include internet-based piracy and the failure of judges to impose deterrent-level sentences for civil and criminal IP infringement.

Transparency of Regulatory System

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The regulatory process in Hungary is relatively open and transparent. On the whole, tax, labor, environment, health and safety laws are consistent with EU regulations. However, some companies operating in Hungary have claimed that recent “crisis taxes” are inconsistent with EU regulations since they target certain industries/sectors over others and do not reflect the costs of regulating the affected sectors.

Laws before Parliament can be found on the Parliament website (http://www.parlament.hu/parl_en.htm). Legislation, once passed, is published in a legal gazette and available online. Civil organizations complain about a loophole in current law that exempts bills submitted by individual Members of Parliament from many of the publication and comment requirements as other pieces of legislation. The government often invites interested parties to comment on draft legislation but does not always incorporate that input into final documents. Companies in industries impacted by the crisis taxes complained that there was no consultations before the new taxes were announced, and that the government failed to take into account industry-expressed concerns. Foreign investors would like to see more consultations between government and stakeholders in drawing up regulations. Some regulatory functions are delegated to professional associations, such as medical and legal associations. In addition, several permanent advisory committees may review draft laws and rules. However, in most cases the government has complete discretion over who sits on these boards, over whether or not the boards see draft decrees before they are promulgated and whether or not to accept the boards' input in making final regulations. The bureaucratic procedures can be very lengthy, but one of the government's top stated priorities is to reduce bureaucratic red-tape.

There are some exceptional types of regulations where consultation with the public is required, including environmental and land use regulations. The Environmental Act (LIII/1995) and the Regional Development and Country Planning Act (XXI/1996) require the government to solicit input from affected parties. Open-ended public hearings are uncommon, and the courts generally cannot review administrative decisions. Some ministries are beginning to put draft rules and laws on the Internet and to invite comments, but this practice is not yet widespread.

A revised Public Procurement law came into force on May 1, 2004. The current Hungarian government extended the law to investments financed by the Hungarian Development Bank and increased the number of open tenders. Companies operating in subsidies or price-regulated sectors may suffer due to insufficient transparency and responsiveness in the setting of prices or subsidies. In response to continued international criticism regarding Hungary's procurement laws and practices, a bill to modify existing public procurement legislation and make it more transparent was passed by Parliament in 2008. Parties requesting bids will be required to post information on their websites about the project and results of the public procurement process. Additionally, bids will need to indicate all subcontractors that will be used and how they will participate in the project. The new law also simplifies the current process by reducing the amount of paperwork for bidders. The government has recently moved forward with several modifications of the Public Procurement Act in 2010 that are intended to further simplify and streamline the public procurement process.

According to Transparency International's National Integrity Study, systemic corruption adds as much as 20-25 percent to the costs of government procurement. A Freedom House study estimates that only 10 percent of government procurements are transparent. Government procurement reform is a major topic of discussion among foreign chambers of commerce and business groups that have provided input and suggestions to the GOH for inclusion into draft legislation. The Accounting Law of 2000 and subsequent modifications were designed to bring Hungarian financial reporting standards and practices in line with the International Accounting Standards and the EU Fourth and Seventh Directives. Under the latest modification, effective January 1, 2005, listed companies under the scope of Decree 1606/2002 of the EC are obliged to prepare consolidated financial statements in accordance with international financial standards, except for companies which are subsidiaries of a parent company already preparing a consolidated annual report.

Efficient Capital Markets and Portfolio Investment

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Prior to the global financial crisis, capital adequacy was not an issue in Hungary as funds were readily available for businesses due in large part to a large foreign presence and significant competition in the banking sector. Since the crisis, banks have increased their capital adequacy ratios above the required 8 percent and are reducing loan-to-debt ratios as well. Lack of confidence in financial markets affected Hungarian banks, many of which are now limiting foreign currency denominated lending, and previously popular Swiss franc and Japanese yen loans have largely disappeared. There are reports that forint loans to businesses are hard to obtain as well, as banks increase their debt-to-loan ratios, forcing them to promote deposits aggressively and limit lending to the less risky consumer loan sector. On the whole, foreign investors continue to have equal access to credit on the local market, with the exception of special governmental credit concessions such as small business loans. Markets for direct finance are thin.

Hungary has an impressively modern financial sector. In April 2000, the responsibilities of the Bank Supervisory Board were merged with the state insurance and pension supervisory agencies to form the Hungarian Financial Supervisory Authority (PSZAF) and its importance was further enhanced by Act CXXXV of 2007. This body is a consolidated financial supervisor regulating all financial and securities markets. In order to increase its ability to better foresee possible problems in the financial sector, PSZAF's authority was increased through a package of modifications to existing financial laws passed by Parliament in December 2009 and October 2010. These include stricter regulations on loans for private individuals, better information about exact loan conditions and costs, and a code of ethics for banks. These changes are designed to prevent individuals from taking on loans they are unlikely to be able to repay and provide better protection for those who cannot meet current installments and wish to change their loan conditions or opt for early repayment. Most of the new legislation entered into force on January 1, 2010. In December 2010 Parliament empowered the PSZAF to pass decrees in line with NBH decrees and other existing legislation. This creates a strong two-pillar system of control by the Central Bank and the PSZAF over the financial sector and provides new tools to allow them to address systemic and other risks. Tasks related to the establishment of the European Systemic Risk Body and the European System of Financial Supervisors would also be delegated to the PSZAF.

Competition from State Owned Enterprises

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Beginning in the 1990s, there has been considerable privatization of former state-owned enterprises. Today, few SOEs remain, and primarily operate in strategic sectors, for example in the areas of national security and transportation. We are aware of few complaints from private companies regarding competition from SOEs.

Corporate Social Responsibility

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Since the mid-1990s, corporations began to pay more attention to social responsibility. Foreign long-term investors have "imported" their CSR mechanisms, policies and models, which local Hungarian corporations have begun to adopt. According to a survey conducted by CSR Hungary, 55 percent of businesses have a CSR policy and 44 percent of businesses think that CSR increased their competitiveness. The Hungarian Business Leaders Forum (HBLF), a non-profit representative body of local and international business leaders in Hungary, considers CSR as part of its mission. In 2006 GOH signed a strategic resolution (No. 1025) for the reinforcement of social responsibility of employers. Since 2006 CSR Hungary has held an annual conference - the country's largest CSR forum - where company and communication managers, researchers and university students exchange information and experiences, and where an annual CSR award is presented.

Price Regulation and Liberalization

The Price Act of 1990 authorizes the government to determine compulsory prices when the Competition Act fails to protect interests of consumers. This sets the upper or lower price limit for certain goods and services to be established by a relevant government authority.

Foreign companies operating in price-regulated sectors, such as energy and pharmaceuticals, have suffered decreased margins due to government delays in adjusting prices upward and extending subsidies to new drugs. Multinational pharmaceutical firms believe they have spent considerable time negotiating with the Ministry of Health with little effect on the price and reimbursement policies of the national health system. Many pharmaceutical companies see the current government plan for pharmaceutical subsidies as impractical.

Substantial market deregulation has occurred over the past few years. The electrical market is being unbundled and largely privatized. In June 2003, the Hungarian government passed the Gas Act, which provided the framework for gradual liberalization of the natural gas market from January 2004. On the other hand, that same Act has arguably reduced the political autonomy of the Hungarian energy regulatory office. In 2007 the GOH initiated electricity and natural gas market liberalizations, which were for the most part completed in 2009, although the Hungarian Energy Office continues to regulate gas prices.

Portfolio Investment

The 1996 Offering of Securities, Investment Services and Securities Exchange Act, and the 1990 Securities and Stock Exchange Act govern the public issuance and trading of bonds, shares and other securities. The Budapest Stock Exchange (BSE) has 35 members, which are licensed-broker or broker-dealer companies, including several U.S.-based firms. It is a full member of the Federation of International Stock Exchanges and an associate member of the International Securities Market Association. The total market capitalization in December 2010 amounted to EUR 66.4 billion, of which shares amount to EUR 20.86 billion, government bonds and treasury bills amount to EUR 35.96 billion. Average daily turnover was EUR 82.35 million, which is 5.5 percent higher than in 2009. In November 2005, the BSE integrated the Commodity Exchange, creating a commodities section. In December 2010 the BSE listed a total of 72 issuers. These include 52 equity, 6 bond, 3 mortgage, 8 investment funds, one government bond and T-bill issuer, and one compensation notes issuer. Sixty-six percent of capitalization is concentrated in four companies (MOL, OTP, Magyar Telecom, and Richter).

Political Violence

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Despite an uptick in protests in 2006, political violence has not been a characteristic of the political landscape in Hungary. The transition from communism to democracy was negotiated and peaceful, and four peaceful changes of government via the ballot box have followed. There is little cause to expect insurrections, political terrorism, or interstate war. There has been no violence directed against foreign-owned companies, although Hungary's economic troubles have contributed to an increase in political extremism.

Corruption

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The Hungarian Ministry of Justice is responsible for combating corruption. There is a growing legal framework in place to support its efforts. Hungary is a party to the OECD Anti-Bribery Convention and has incorporated its provisions into the penal code, as well as subsequent OECD and EU requirements on the prevention of bribery. Hungary adopted a national strategy on combating corruption and passed two modifications of the Criminal Code in 2001 (Act CXXI and CIV). Parliament also passed the Strasbourg Criminal Law Convention on Corruption (Law XLIX of 2002) and the Strasbourg Civil Code Convention on Corruption (Law L of 2004). Hungary is a member of GRECO (Group of States against Corruption), an organization established by members of the Council of Europe to monitor the observance of their standards for fighting corruption. Transparency International (TI) is active in Hungary and its 2010 Corruption Perceptions Index rates Hungary 50th out of 102 countries (1st being best), more favorably than most other countries in the region, but worse than Hungary's 2009 ranking of 46th.

Giving or accepting a bribe is a criminal offense, as is an official's failure to report a bribery incident. Penalties can include confiscation of assets, imprisonment, or both. Since EU membership, legal entities can also be prosecuted. An extensive list of public officials and many of their family members are required to make annual declarations of assets, but there is no specified penalty for making an incomplete or inaccurate declaration. The 2003 "glass pocket law" extended the State Audit Office right to review businesses' government contracts to public-private transactions that were previously considered "business-confidential". Conflict of interest legislation prohibits members of parliament from serving as executives of state-owned companies.

While legislation is in place, persistent suspicion of corruption in some government procurement actions has arisen, due to a lack of transparency and an uneven implementation of the laws to prevent corruption. Non-governmental organizations, the business community, and foreign governments share many of these concerns, and maintain an ongoing dialogue with the government to identify strategies to improve conditions. The GOH set up an Anti-Corruption Coordination Board, led by the Ministry of Justice, with participation from other government ministries, chambers and NGOs, which submitted a strategy and action plan to Parliament in 2008. This board disbanded in late 2009 and no new organization as arisen in its place. TI continues to actively support a transparent party financing system, however there has been little traction on reforming this issue over the past several years.

In addition, observers have raised concerns about appointments of Fidesz Party loyalists as heads of quasi-independent institutions like the Media Council and the State Audit Office.

In December 2009, Parliament passed new measures designed to reduce the possibility of corruption in public procurements. However, most of these measures have not been implemented. The government has suggested that it does not intend to set up new anti-corruption institutions. Rather, it prefers strengthen and build upon existing institutions. For instance, Deputy Prime Minister and Justice Minister Tibor Navracsics recently announced that a new team, dedicated to the fight against corruption, is likely to be set up within the Public Prosecutor's Office. Minister Navracsics suggested that both the Public Prosecutor's Office and the courts would receive additional funding to tackle anti-corruption challenges in 2011.

Hungarian legislation on combating money laundering is in line with international obligations. Act LXXXIII of 2001 on Combating Terrorism, on Tightening Provisions on Impeding Money Laundering widened the scope of the 1994 anti-money laundering legislation. Act XV of 2003 on Preventing Money Laundering increased the scope of business under the anti-money laundering legislation. It now includes financial and supplementary financial service providers, investment service providers, Stock Exchange-related activities, money transfers via postal service, real estate agents, auditors, tax advisors, casinos, retailers of precious metals, gems, antiquities, insurance companies, and lawyers.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: http://www.ustr.gov/trade-agreements/free-trade-agreements.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://go.worldbank.org/RQQXYJ6210.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements

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Hungary and the United States do not have a bilateral investment treaty (BIT), nor is one currently under negotiation.

Hungary has bilateral investment treaties with the following countries: Albania, Argentina, Australia, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Chile, China, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, India, Indonesia, Israel, Italy, Kazakhstan, Kuwait, Latvia, Lebanon, Lithuania, Republic of Korea, The former Yugoslav Republic of Macedonia, Malaysia, Moldova, Mongolia, Morocco, The Netherlands, Norway, Paraguay, Poland, Portugal, Romania, Russian Federation, Serbia, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Thailand, Tunisia, Turkey, Ukraine, United Kingdom, Uruguay, Uzbekistan, Vietnam and Yemen.

Taxation

Hungary has tax treaties which eliminate many aspects of double taxation with the following countries: Albania, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, the Federal Republic of Yugoslavia, France, Germany, Great Britain, Greece, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Kuwait, Luxembourg, Malaysia, Malta, Moldova, Mongolia, The Netherlands, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Singapore, Slovakia, South Korea, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Tunisia, Ukraine, the United States, Uruguay and Vietnam. Negotiations were recently concluded in 2010 to revise Hungary's current tax treaty with the United States.

In 2009, the Bajnai government enacted tax reforms aimed at encouraging employment and growth by reducing the tax burden on labor, while remaining revenue neutral by offsetting tax cuts with increases in consumption and wealth-based taxes. The tax changes eliminated the 4 percent so-called "solidarity tax," but the corporate tax was increased from 16 to 18 percent. Employer welfare contributions were lowered, the brackets for the two tax rates broadened, and tax rates lowered, creating a flatter system. Businesses sometimes complain that they are targeted for lengthy audits and competition investigations. Tax changes in the government reform program had the effect of abrogating certain preferential tax agreements for foreign investors.

Since April 2010, the new government has initiated a series of moves related to taxation. The government has approved cuts in the personal and corporate income tax rates, which it hopes will spur economic growth in the future. The personal income tax rate will fall to 16 percent for all income groups and the corporate income tax rate will become 19 percent (or 10 percent for smaller firms with tax bases of less than HUF 500 million (~USD 2.3 million)). The proposed tax cuts will take effect in January 2011. At the same time, the government has imposed temporary financial sector taxes and "crisis taxes" on the energy, telecommunications, and retail sectors. Retail companies will pay up to 2.5 percent for tax bases exceeding HUF 100 million (~USD 460,000), telecommunications companies will pay up to 6.5 percent for tax bases exceeding HUF 5 billion (~USD 23 million), and energy suppliers will pay up to 1.05 percent for all tax bases. The manufacturing sector is exempt from these "crisis taxes." The new government also approved a 98 percent tax on public sector severance pay, retroactive to 2005. The tax applies to the severance pay of approximately HUF 3.5 million (~USD 16,000) for ordinary employees and HUF 2 million (~USD 9,000) for senior government officials.

The government has also announced plans to merge the Tax and Financial Control Administration (APEH) and the Hungarian Customs and Finance Guard into a newly established agency, the National Tax and Customs Office. Within the new agency the tax department will function as the tax authority and the customs department will function as the customs authority.

OPIC and Other Investment Insurance Programs Return to top

The U.S. Overseas Private Investment Corporation (OPIC) has operated in Hungary since October 1989, offering U.S. investors financing through direct loans or guarantees, political risk insurance, and capital for private equity funds. OPIC helps U.S. companies compete in new markets and developing countries when traditional lenders or financing is not available. OPIC's financial support ranges from small micro financings to large infrastructure project loans.

Labor Return to top

Hungary's civilian labor force of 4.2 million persons is highly educated and skilled. Literacy exceeds 98 percent and about two-thirds of the work force has completed secondary, technical or vocational education. Hungary is particularly strong in engineering, medicine, economics, and science training. An increasing number of young people are attending U.S. and European-affiliated business schools in Hungary. Foreign language skills, especially in English and German, are becoming more widespread.

Hungary's unemployment rate is 10.8 percent (as of September 2010), decreasing from a peak of 11.5 percent in March 2010. This currently exceeds the EU-27 rate of 9.6 percent. The labor participation rate is still low by European standards at 56.0 percent, which is 0.4 percent higher than in 2009. Despite increasing rates of unemployment, in certain sectors there still is a shortage of skilled and well educated employees. Regional differences in employment opportunities still prevail. The northwest region of the country sometimes sees shortages of skilled workers, particularly in the financial and marketing sectors, but east of the Danube unemployment levels are above average, though the labor force is cheaper and comparably skilled. The government is now turning its focus to help education adapt better to labor market requirements and is encouraging cooperation between higher education institutions and the business arena. Wages in Hungary are significantly lower than those of Western Europe. Average Hungarian labor productivity is lower than the EU average, but greater than that of other Central and Eastern European economies.

Hungary's labor law, in force from July 1, 2003, made several important changes to labor market regulation. The law applies stricter guidelines regarding which personnel may be employed as independent contractors and which must be considered employees (using a "service" agreement versus an "employment agreement"). Companies with an EU-wide presence must institute European works councils, which act as a mechanism for sharing information between labor and management.

Roles of Government and Trade Unions

A tripartite National Council for Interest Reconciliation is legally recognized by the Hungarian Labor Law (Labor Code XXII/1992). Members of the Council are representatives of employers, employees, and the government. In practice, the Council has six trade union representatives and nine employer representatives. The Hungarian minimum wage is set by agreement of all three parties. The law also requires the government to consult with the Council on issues affecting labor, such as health and safety. The Council is the only group that must legally be consulted on many labor issues, even though only about 25 percent of the workforce is unionized.

The Hungarian labor code guarantees the right to join trade unions and gives unions the right to operate inside a company. Unions are entitled to negotiate collective bargaining agreements. The labor code limits the length of the workday plus overtime to 12 hours; guarantees maternity leave; provides for at least 20 days of annual leave; mandates at least 30 days notice prior to severance and requires severance pay for those employed at least three years. The law forbids discrimination based on gender, age or nationality. The minimum employment age is 16 years, though apprenticeships may begin at age 15. Hungary adheres to ILO conventions protecting worker rights. Labor/management relations are better than in much of Europe. As a result of the current economic situation, labor-related strikes are occurring with increasing frequency.

In late 2010, Parliament began debate of a draft law that would tighten provisions for a strike by civil servants and rule a strike illegal unless a preliminary agreement was reached on a provision of minimum service. Parliament is expected to conclude the debate and vote on the draft law in early 2011.

Foreign-Trade Zones/Free Ports Return to top

The 1988 Law on Foreign Investment, the 1995 Law on Customs, Customs Procedures, and the 1995 Law on Foreign Currency permitted and regulated the operation of foreign trade zones. Prior to Hungary becoming a full member of the EU, 143 companies operated in about 130 customs free zones, producing about half of total Hungarian exports.

According to Law CXXVI of 2003, permits for operating in customs free zones expired. Currently no company operates in customs free zones and all of them transferred their assets and continued operation following customs handling of their assets. The Ministry of National Economy plans to nominate customs free zones, but currently there seems to be little demand for this service. Possible sites could include Székesfehérvár, Gyõr, Kecskemét, Miskolc, Záhony or Szombathely.

Foreign Direct Investment Statistics Return to top

According to the National Bank of Hungary, foreign direct investment between 1995 and the third quarter of 2008 amounted to EUR 60.4 billion (which includes shares, other participation, and reinvested incomes). Since a record high of EUR 6.2 billion in 2005, FDI has been declining (from EUR 5.7 billion in 2006 to EUR 1.02 billion in 2009). Leading foreign investors include Germany, Austria, the Netherlands, and the United States. Seventy-seven percent of total FDI is from the EU. 36.5 percent of cumulative FDI in Hungary is in manufacturing, 14.8 percent in trade and retail, 12 percent in services, and 12 percent in financial activity. Hungary has a reasonably significant level of foreign investment abroad, primarily through acquisitions in other Central and Eastern European countries. By the third quarter of 2009, total Hungarian investment abroad amounted to EUR 11.1 billion. The majority of this is directed to services and crude oil processing.

Of the U.S.'s 50 largest multinationals, 40 are present in Hungary. The following U.S.-based companies have made major direct investments here: GE, Alcoa, AES, Coca-Cola, O-I (Owens Illinois), General Motors, Guardian Industries, IBM, Lear Corporation, Pepsi Co, Sara Lee, Procter & Gamble, Visteon, Ford, Citibank, Emmis International, Emerson, Zoltek, PACCAR, Celanese, Exxon Mobil, EDS, Sykes, Jabil Circuit, McDonald's, Burger King, National Instruments, AIG/Lincoln, HP, Cisco, Microsoft, Oracle, Johnson & Johnson, Pfizer, Lilly, Monsanto, Dow Chemical, to name a few.

Among the largest non-U.S. foreign investors in Hungary are: Deutsche Telekom, Audi, Nokia, Telenor, Vodafone, E.ON, Sanofi-Aventis, Electrolux, RWE, Tesco Global, Suzuki

Motor, Auchan, Hankook, Mercedes Benz, SAP, ABB, Philips, CP Holdings and Robert Bosch.

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Chapter 7: Trade and Project Financing

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Hungary EU-harmonizing reforms have created a financial environment where virtually all capital related institutions, products, and services can be found. The Hungarian Forint has been fully convertible for all financial transactions since 2001, and both the Hungarian financial market and capital market transactions are fully liberalized.

The National Bank of Hungary (NBH) is the central bank and a member of the European System of Central Banks (ESCB). The NBH and the members of its decision-making bodies perform their duties and carry out their obligations independently from the government. With the exception of the European Central Bank, the NBH (and the members of its decision-making bodies) may not ask for or follow instructions from the government, the institutions and bodies of the European Union, the governments of other EU Member States or any other institution or body.

According to the definition of Act CXII of 1996 on Credit Institutions and Financial Enterprises (Financial Enterprises Act) credit institutions are financial institutions which collect depostis and provide credit lines and loans, and perform other financial services.

A commercial bank may only operate in Hungary as company limited by shares (Rt.) or as branch office of a foreign bank. A permit from the State Supervisory Authority for Financial Institutions (PSzÁF) is required before a commercial bank may be established and the commencement of operations in Hungary is allowed. In the case of a branch office of a foreign bank, a license for banking activities issued by its foreign authority is also required. The Financial Enterprises Act determines the range of financial services that commercial banks may provide.

In Hungary, foreigners may only perform financial services in one of two ways: by establishing a company limited by shares and registered in Hungary, or by founding a registered branch office. Banks - including the branch office of foreign credit institutions - may be founded with a minimum of HUF 2 billion (about USD 10 million) in initial capital. A foreign registered credit institution may also establish bank representation, but may not perform any kind of business activity.

Since Hungary's accession to the EU, credit institutions registered in another Member State of the EU may engage in cross-border services.

Financial institutions whose controlling interest is owned by foreign professional investors constitute more than 90 percent of the registered capital of the sector, including 27 commercial banks (see their list on the website of the Hungarian Banking Association). Only the Hungarian Development Bank and Eximbank, two banks with special governmental functions, remained in state ownership.

Foreign investors control 80 percent of the banking sector in Hungary. The dominance of foreign ownership has been crucial in upgrading the formerly one-level banking sector to a double-level one meeting international standards as well. The U.S. exporter should be aware that access to capital in Hungary is still difficult and limited, compelling many Hungarian SMEs to depend on self-financing, including payments for imports. For this reason, exporters tend to offer 60-day or even 90-day payment terms to their Hungarian customers only after establishing a track record for payments.

A banking account at a commercial bank is required to register and run a company in Hungary. Wire transfers are used for over 80 percent for payment transaction, and new customers are sometimes required to pay in advance. A letter of credit is often used for more significant and high-value first transactions before mutual trust develops between partners. Credit cards are also used but mostly for individual purchases. The largest commercial banks in Hungary are: OTP - Hungarian Savings Bank, Hungarian Foreign Trade Bank (MKB), Citibank, Commercial and Credit Bank (KHB), Budapest Bank –GE Capital, Erste Bank Volksbank, UniCredit Bank, CIB Bank. (for more detailed information see below). They are members of the Hungarian Banking Association: (http://www.bankszovetseg.hu/)

There are a number of debt collection firms, company rating and credit management agencies in Hungary, the largest are:

Dun & Bradstreet: http://www.dbhun.hu/en
Intrum Justitia: http://www.intrum.hu
Creditexpress: http://www.creditexpress.hu
Sigma Collection: http://www.sigma.hu/flash/indexa.htm
Coface Intercredit: : http://www.coface.hu/
Euler Hermes: http://www.eulerhermes.hu

How Does the Banking System Operate Return to top

The Hungarian Financial Supervisory Authority (HFSA) oversees the banking system, as well as the capital, insurance and pension fund markets. As a member of the supervisory community of the European Union and in an integrating financial market, the HFSA shall

- ensure reliable, continuous and transparent operation of the financial markets;
- strengthen confidence in the financial markets;
- promote the development of financial markets based on fair competition;
- protect the legitimate interests of market participants;
- support the reduction of consumers' risks by providing access to adequate information;
- actively participate in eliminating financial crime.

The National Bank of Hungary (MNB) exercises considerable influence in the banking sector and monetary policy and maintains price stability. The MNB has ended most of its commercial functions and relies primarily on controlling the size of mandatory reserves and the base rate to influence the country's economy. Hungary's legislation allows for "universal banking," entitling appropriately licensed banks to provide a full range of securities transactions, including trade in stocks and publicly placed corporate bonds. Foreign financial institutions can open and operate branch offices in Hungary. Wholly-owned subsidiaries or branches of foreign banks are acquiring an increasing share of Hungary's market. The banking sector is also consolidating, with larger banks acquiring or merging with smaller ones. As the Hungarian banking system continues to develop, new types of credit and financial institutions are entering the market, including mortgage banks and home-savings institutions.

Link to the Hungarian Financial Supervisory Authority: http://www.pszaf.hu
Link to the National Bank of Hungary: http://english.mnb.hu/Engine.aspx

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The Hungarian Forint (HUF) has been fully convertible for all transactions since 2001, a final step in a decade-long liberalization process. A government decree lifted all remaining foreign exchange restrictions and allowed free movement of capital, in line with EU regulations. Businesses and private individuals have free access to foreign exchange enjoying all advantages and disadvantages of the local currency and foreign exchange fluctuation. In the late 2008 due to the foreign exchange crisis in the international monetary market, thousands of SMEs and individuals were forced to pay double amount of credits to avoid liquidation or termination of the credit agreement. Additionally, many SMEs and private entities went into bankruptcy in those months.

U.S. Banks and Local Correspondent Banks Return to top

There are currently two major U.S. banks in the Hungarian marketplace.
Budapest Bank Plc (A GE Capital affiliate)
Vaci Ut 188, H-1138 Budapest
Tel: (36 1) 450-6000 Fax: (36 1) 450-6001
Web Address: http://www.budapestbank.hu
E-mail: info@budapestbank.hu

Citibank Europe Plc Hungarian Branch Office
Szabadsag ter 7, H-1051 Budapest
Tel: (36 1) 374-5000, Fax: (36 1) 374-5100
Web Address: http://www.citibank.hu

In addition to the two U.S.-owned banks mentioned above, all major banks in Hungary have correspondent banks in the United States. A partial list of the major banks includes:

National Savings & Commercial Bank - OTP Bank http://www.otpbank.hu
K & H Bank ZRt (owned by KBC Bank, Belgium) http://www.khb.hu
Hungarian Foreign Trade Bank ZRt (MKB) (majority owned by Bayerische Landesbank, Germany) http://www.mkb.hu
Central-European International Bank ZRt (CIB) (fully owned by Intesa Holding, Int'l, Italy)

http://www.cib.hu

A number of international banks maintain representational offices in Budapest, most with offices in the United States:
HypoVerein/CreditAnstalt-Bank (Austria/Germany);
Erste Bank and Raiffeisen (Austria);
Deutsche Bank (Germany);
AEB Bank (majority owned by Russian Gazprombank),
ING Bank (Netherlands),
Volksbank (majority owned by Austrian Österreichische Volksbanken) among others.

Project Financing

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There are currently two major U.S. banks in the Hungarian marketplace.
Budapest Bank Plc (A GE Capital Affiliate)
Vaci Ut 188, H-1138 Budapest
Tel: (36 1) 450-6000 Fax: (36 1) 450-6001
Web Address: http://www.budapestbank.hu
E-mail: info@budapestbank.hu

Citibank Europe Plc Hungarian Branch Office
Szabadsag ter 7, H-1051 Budapest
Tel: (36 1) 374-5000, Fax: (36 1) 374-5100
Web Address: http://www.citibank.hu

In addition to the two U.S.-owned banks mentioned above, all major banks in Hungary have correspondent banks in the United States. A partial list of the major banks includes:

National Savings & Commercial Bank - OTP Bank http://www.otpbank.hu
K & H Bank ZRt (owned by KBC Bank, Belgium) http://www.khb.hu
Hungarian Foreign Trade Bank ZRt (MKB) (majority owned by Bayerische Landesbank, Germany) http://www.mkb.hu
Central-European International Bank ZRt (CIB) (fully owned by Intesa Holding, Int'l, Italy) http://www.cib.hu

A number of international banks maintain representational offices in Budapest, most with offices in the United States:
HypoVerein/CreditAnstalt-Bank (Austria/Germany);
Erste Bank and Raiffeisen (Austria);
Deutsche Bank (Germany);
AEB Bank (majority owned by Russian Gazprombank),
ING Bank (Netherlands),
Volksbank (majority owned by Austrian Österreichische Volksbanken) among others.

EU REGULATIONS

EU financial assistance programs provide a wide array of grants, loans, loan guarantees and co-financing for feasibility studies and infrastructure projects in a number of key sectors (e.g., environmental, transportation, energy, telecommunications, tourism, public health). From a commercial perspective, these initiatives create significant market opportunities for U.S. businesses, U.S.-based suppliers, and subcontractors.

The EU supports projects within its member states, as well as EU-wide "economic integration" projects that cross both internal and external EU borders. In addition, the EU provides assistance to accession countries in Eastern and Southern Europe, Iceland and Turkey, as well as some of the former Soviet republics.

The European Union provides project financing through grants from the European Commission and loans from the European Investment Bank. Grants from the Structural Funds are distributed through the member states' national and regional authorities, and are only available for projects in the 27 EU member states. All grants for projects in non-EU countries are managed through the EuropeAid Cooperation agency in conjunction with various European Commission departments, called "Directorates-General."

The CSEU Tenders Database

The U.S. Commercial Service at the U.S. Mission to the European Union offers a tool on its website to help U.S.-based companies identify European public procurement opportunities. The database features all current public procurement tenders issued by all national and regional public authorities in the 27 member states of the European Union, plus four other European countries, and that are open to U.S.-based firms under the terms of the Government Procurement Agreement (GPA) implemented in 1995. The database is updated twice weekly and is easy to Use with a range of search options, including approximately 20 Industry sectors. The database also contains tenders for public procurement contracts relating to structural funds. Readers may access the database at http://www.buyusa.gov/europeanunion/eu_tenders.html.

EU Structural Funds

The EU Structural Funds, including the European Regional Development Fund, were created in 1975 to assist economically depressed regions of the European Union that required industrial restructuring. The EU earmarked EUR 308 billion for projects under the Structural Funds and the Cohesion Fund programs for the 2007-2013 period for the EU-27. In addition to funding economic development projects proposed by member states or local authorities, EU Structural Funds also support specialized projects promoting EU socioeconomic objectives. Member states negotiate regional and "sectoral" programs with officials from the regional policy Directorate-General at the European Commission. For information on approved programs that will result in future project proposals, please visit:
http://ec.europa.eu/regional_policy/atlas2007/index_en.htm

For projects financed through the Structural Funds, member state officials are the key decision-makers. They assess the needs of their country; investigate projects; evaluate bids; and award contracts. To become familiar with available financial support programs in the member states, it is advisable for would-be contractors to meet with local officials to discuss local needs.

Tenders issued by member states' public contracting authorities for projects supported by EU grants are subject to EU public procurement legislation if they meet the EU minimum contract value requirement for the eligible sector. Below this threshold, tender procedures are subject to national procurement legislation. There are no overt prohibitions against the participation of U.S. companies, either as developers or concessionaires of projects supported partially by the Structural Funds, or as bidders on subsequent public tenders related to such projects, but it is advisable to team up with a local partner. All Structural Fund projects are co-financed by national authorities and most may also qualify for a loan from the European Investment Bank. The private sector is also involved in project financing. For more information on these programs, please see the market research section on the website of the U.S. Mission to the EU: http://www.buyusa.gov/europeanunion/mrr.html

The Cohesion Fund

The Cohesion Fund is another instrument of EU structural policy. Its EUR 61.5 billion (2007-2013) budget seeks to improve cohesion within the EU by funding transport infrastructure and environmental projects in Portugal, Spain, Greece and the twelve new (since 2004) EU member states from Central and Eastern Europe. These projects are generally co-financed by national authorities, the European Investment Bank, and the private sector.

Key Link: http://ec.europa.eu/regional_policy/funds/cf/index_en.htm

Other EU Grants for Member States

Another set of sector-specific grants offers assistance to EU member states in the fields of science, technology, communications, energy, environmental protection, education, training and research. Tenders related to these grants are posted on the various websites of the directorates-generals of the European Commission. Conditions for participation are strict and participation is usually restricted to EU firms or tied to EU content. Information pertaining to each of these programs can be found on: http://ec.europa.eu/grants/index_en.htm

External Assistance Grants

The EuropeAid Cooperation Office is the European Commission agency in charge of managing the EU's external aid programs. This agency is responsible for the management of the entire project cycle, from identification to evaluation, while the Directorates-General in charge of External Relations and Development, are responsible for the drafting of multi-annual programs. The EuropeAid website offers extensive information on the range of grant programs, the kind of projects that are eligible, as well as manuals to help interested parties understand the relevant contract law. However, participation to calls for tender for contracts financed by EuropeAid is reserved for enterprises located in the EU member states and requires that the products used to respond to these projects are manufactured in the EU or in the aid recipient country. But consultants of U.S. nationality employed by a European firm are allowed to form part of a bidding team. European subsidiaries of U.S. firms are eligible to participate in these calls for tender.

Key Link:
http://ec.europa.eu/europeaid/index_en.htm

All tenders related to EU-funded programs outside the territory of the European Union (including the accession countries) are located on the EuropeAid Cooperation Office website: http://ec.europa.eu/europeaid/work/funding/index_en.htm

Two new sets of programs have been approved for the financing period 2007-2013., The EU provides specific Pre-Accession financial assistance to the accession candidate countries that seek to join the EU through the “Instrument for Pre-accession Assistance” (IPA). Also, the European Neighborhood and Partnership Instrument (ENPI) will provide assistance to countries that are the Southern Mediterranean and Eastern neighbors of the EU.

- IPA replaces the following programs: PHARE (Poland and Hungary Assistance for Restructuring of the Economy), ISPA (Instrument for Structural Pre-Accession financing transport and environment projects), SAPARD (projects in the agriculture sector), CARDS (aid to southern Balkans) and the Turkey Facility Fund. IPA focuses on priorities linked to the adoption of the *acquis communautaire* (the body of European Union law that must be adopted by accession candidate countries as a precondition to accession), i.e., building up the administrative and institutional capacities and financing investments designed to help them comply with European Commission law. IPA will also finance projects destined to countries that are potential candidate countries, especially in the Balkans. The budget of IPA for 2007-2013 is €11.4 billion.
  Key Links: http://ec.europa.eu/enlargement/index_en.htm
  http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/index_en.htm

- ENPI: replaces the former TACIS and MEDA programs. The European Neighborhood Policy program covers the EU’s neighbors to the east and along the southern and eastern shores of the Mediterranean i.e. Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine. ENPI budget is €11.9 billion for 2007-2013.

  http://ec.europa.eu/world/enp/index_en.htm

Loans from the European Investment Bank

Headquartered in Luxembourg, the European Investment Bank (EIB) is the financing arm of the European Union. Since its creation in 1958, the EIB has been a key player in building Europe. As the EIB's lending practices evolved over the years, it became highly competent in assessing, reviewing and monitoring projects. As a non-profit banking institution, the EIB offers cost-competitive, long-term lending in Europe. Best known for its project financial and economic analysis, the Bank makes loans to both private and public EU-based borrowers for projects in all sectors of the economy, such as telecommunications, transport, energy infrastructure and environment.

While the EIB mostly funds projects within the EU, it lends outside the EU as well (e.g., in Central, Eastern and Southeastern Europe; Latin America; and Pacific and Caribbean states). In 2009 , the EIB approved loans for projects worth EUR 103 . billion, of which around 9% was approved for projects outside the EU. The EIB also plays a key role in supporting EU enlargement with loans used to finance improvements in infrastructure, research and industrial manufacturing to help those countries prepare for eventual EU membership.

Projects financed by the EIB must contribute to the socioeconomic objectives set out by the European Union, such as fostering the development of less favored regions; improving European transport and telecommunication infrastructure; protecting the environment; supporting the activities of SMEs; assisting urban renewal; and, generally promoting growth, competitiveness and employment in Europe. Last year, the EIB created a list of projects to be considered for approval and posted the list on its website. As such, the EIB website is a source of intelligence on upcoming tenders related to EIB-financed projects: http://www.eib.org/projects/pipeline/index.htm

The EIB presents attractive business opportunities to U.S. businesses. EIB lending rates are lower than most other commercial rates. Like all EIB customers, however, U.S. firms must apply the loan proceeds to a project that contributes to the European objectives cited above.

The U.S. Mission to the European Union in Brussels has developed a database to help U.S.-based companies bid on EIB public procurement contracts in non-EU countries. The EIB-financed contracts that are open to U.S.-based companies are featured in this database. All the tenders in this database are extracted from the EU's Official Journal. The EIB database contains on average 50 to 100 tenders and is updated twice per week.

Key Link: http://www.buyusa.gov/europeanunion/eu_tenders.html

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http://www.ebrd.com/pages/country/hungary

The European Bank for Reconstruction and Development (EBRD), whose largest shareholder is the US Government, offers a full range of financial services to US investors in Hungary.   Using its AAA credit rating, the EBRD can provide debt, equity, quasi-equity, syndications, and trade finance in both local and foreign currency at competitive commercial rates and with longer tenors than is usually supplied by commercial lenders. The EBRD's lending priorities are for private sector-led investment, but sovereign lending is also a feature of the bank, particularly for water, transport and energy needs at the municipal level.   For sovereign loans, the EBRD requires open, competitive tenders that offer an opportunity to supply US goods and services.

http://www.exim.gov
http://www.exim.gov/tools/country/country_limits.html
http://www.opic.gov
http://www.tda.gov/
http://www.sba.gov/oit/

http://www.fsa.usda.gov/ccc/default.htm
http://www.usaid.gov
http://www.bankszovetseg.hu
http://www.budapestbank.hu
http://www.otpbank.hu
http://www.khb.hu
http://www.mkb.hu
http://www.cib.hu
http://www.pszaf.hu
http://www.dbhun.hu/en
http://www.intrum.hu
http://www.creditexpress.hu
http://www.sigma.hu/flash/indexa.htm
http://www.coface.hu/
http://www.eulerhermes.hu

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Chapter 8: Business Travel

Business Customs

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Business customs are similar to those in the United States and Western Europe. Typical Hungarian business attire is a suit. Hungarians consider a personal relationship the basis of business connections. Business entertaining such as lunches, receptions, and dinners are common. Often more formal than Americans, Hungarians usually introduce themselves using family, rather than first names. They also address each other with their family name, followed by their first name – for example: Smith John. Business cards follow this convention unless printed in English. Hungarian business partners will appreciate even a small effort to learn basic greetings in Hungarian. Around the Christmas holidays, Hungarian business people may exchange symbolic gifts worth less than USD10.

Travel Advisory

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The State Department has not issued any travel advisories for Hungary, which is generally a safe and healthy country, although visitors are advised to guard personal belongings and automobiles. Current information on travel and living in Hungary and descriptions of typical tourist scams including establishments to avoid can be viewed on the U.S. Embassy Budapest Consular Section website at:
http://budapest.usembassy.gov/tourist_advisory.html

Visa Requirements

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U.S. citizens traveling to Hungary do not require visas. Those intending to stay for longer than 90 days will require residency permits. With certain exceptions, Americans must obtain both work and residence permits if they are employed in Hungary.

Any company in Hungary (even if foreign-owned) employing foreigners must apply for work permits for these employees, a process which takes 60-75 days. The Hungarian Government makes an exception for managing directors of registered, foreign-owned companies. After employees obtain a work permit, they must apply for a work visa in-person at a Hungarian embassy or consulate in their home country. The Hungarian Government generally issues visas good for one year. Stricter fraud-prevention measures imposed in recent years have made this process increasingly cumbersome. A number of businesses offer to obtain work permits and renewals for companies in Hungary. The American Chamber of Commerce in Hungary also offers these services to its members. U.S. companies that require travel of foreign businesspersons to the United States should be advised that security issues are handled via an interagency process.

Visa applicants should go to the following links:
State Department Visa Website http://travel.state.gov/visa/
Consular Section U.S. Embassy Budapest http://hungary.usembassy.gov/consular2.html

Telecommunications Return to top

Telephone service, including long-distance, is reliable in Hungary. Budapest is served by three cellular phone providers, T-Mobile, Telenor and Vodafone. Calling card services, such as AT&T, MCI, and Sprint, can also be accessed from Hungary. Hungary has several Internet service providers, including: GTS Hungary, T-Home and Invitel. Euro ISDN service is available, but more expensive than dial-up. Budapest also has an increasing number of Internet cafes.

Transportation Return to top

Delta Airlines plans to return to Hungary and offer direct service between New York and Budapest from late spring of 2011. American Airlines will also provide direct flights between JFK/New York and Budapest from April 2011. United and Continental have code-share agreements with European airlines to offer joint services to Budapest.

Hungary's well-developed transportation infrastructure simplifies and speeds domestic travel. Railway lines crisscross the country to connect most cities. The "Inter-City" line provides first class express service to several cities. A hydrofoil ferries passengers to Vienna and Bratislava. Hungary's highways, which are generally good, are undergoing a major improvement to meet EU standards. Express toll highways connect Budapest west to Vienna, south to the Serbian border, and east almost to the Ukrainian border. The M6 highway between Budapest and Pecs (south west to Croatia) was completed in 2010. Budapest is served by an efficient public transportation system, based on three subway lines, supplemented by a comprehensive bus, tram, and trolley system. Taxis are also readily available.

Phoning for a taxi from one of Budapest's major companies, rather than hailing off the street, helps ensure the appropriate fare. Taxis from Budapest's airport to downtown cost roughly US$35. Airport shuttle offers reliable service and costs around US$20. Direct shuttle buses - between the hotel quarter and the airport - is also available for the travelers.

Language

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English is regularly used for business in Hungary, especially among multinational firms. However, Hungary's smaller and state-owned firms may have principals who do not speak English. In this case, an interpreter may be used for meetings, though it is prudent to agree on this in advance. German is the second most common foreign language.

Health

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Hungary enjoys good standards of health and a low incidence of disease. Hungarian law requires no vaccinations for Americans to travel or live there. Because many U.S. medical insurance policies do not cover expenses incurred overseas, it is advisable to purchase overseas coverage before travel to Hungary. Please note that Medicare benefits are not payable for services rendered outside the United States. Hungarian doctors and hospitals generally require cash payment upon completion of services rendered. In modern units of the private hospitals use of bank cards is accepted.

Local Time, Business Hours, and Holidays

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Local time: GMT + 01:00 or 6 hours ahead of Eastern Standard Time. Normal business hours are from 9:00 a.m. to 5:00 p.m. Businesses and government offices often close in the early afternoon on Fridays.

Hungary celebrates the following holidays in 2011:
New Year's Day - January 1, 2011
Revolution Day - March 14-15, 2011
Easter Monday - April 25, 2011
Labor Day - May 1, 2011
Whit Monday June 13, 2011
National Day - August 20, 2011
Republic Day - October 23, 2011
All Saints' Day – October 31-November 1, 2011
Christmas Day - December 25, 2011
Boxing Day - December 26, 2011

The European institutions generally follow the holidays of the EU Member State in which they are located. During the month of August, European institutions are staffed with minimum personnel. For information on local holidays in the EU Member States, please see their Country Commercial Guides.

Temporary Entry of Materials and Personal Belongings

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Duty-free status applies to personal belongings of visitors with permanent residence outside Hungary what they carry or send into Hungary and intend for use during their stay. It also applies to personal belongings, except consumer durables, that permanent residents of Hungary take abroad for more than 24 hours and return with. Duty-free status can only be claimed once a day. Hungarian law requires materials that enter

Hungary temporarily and return to the United States, such as exhibition goods, are delivered with ATA Carnet documentation and preregistered with the Hungarian Customs Authorities. Information and contact are available at the website of the Hungarian Customs and Finance Guard
http://www.vam.hu/viewBase.do?elementId=7063
http://www.vam.hu/loadBinaryContent.do?binaryId=23884
http://www.budpocketguide.com/GuideToHun/customs_regulations.asp

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http://travel.state.gov/visa/visa_1750.html
http://hungary.usembassy.gov/consular2.html
http://www.buyusa.gov/europeanunion/ccg.html
http://www.vam.hu/viewBase.do?elementId=7063
http://www.vam.hu/loadBinaryContent.do?binaryId=23884
http://www.budpocketguide.com/GuideToHun/customs_regulations.asp
http://www.export.gov/mrktresearch/index.asp
http://hungarystartshere.com/
http://hungary.com
http://www.traveltohungary.com
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1137.html
http://www.atacarnet.com
http://www.usembassy.hu

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Chapter 9: Contacts, Market Research and Trade Events

Contacts

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Homepages of Hungarian Government Ministries/Organizations:

Government of the Hungarian Republic: http://www.kormany.hu/en
Ministry of Defense: http://www.hm.gov.hu
Ministry of Foreign Affairs: http://www.mfa.gov.hu
Ministry of Interior: http://www.bm.hu/web/portal.nsf/index
Ministry for National Economy : http://nfgm.gov.hu/en
Ministry of National Development: http://www.nfm.gov.hu/en
Ministry of National Resources: http://www.nefmi.gov.hu/english
Ministry of Public Administration and Justice:
Ministry of Rural Development: http://www.vm.gov.hu/main.php?folderID=945
National Development Agency: http://www.nfu.hu/?lang=en
National Bank of Hungary: http://english.mnb.hu/

Hungarian Export-Import Bank Rt: http://www.eximbank.hu/en/
Hungarian National Property Management Co. (MNV ZRt.): http://www.mnvzrt.hu/en/
Hungarian Competition Authority:
http://www.gvh.hu/gvh/alpha?do=2&st=2&pg=96&m19_act=4
Hungarian Trade Licensing Office: (under supervision of Ministry of National Economy:
http://www.mkeh.gov.hu/
National Media and Communications Authority: http://www.nmhh.hu/index.php?lang=en
Council of Public Procurement: http://www.kozbeszerzes.hu
Hungarian Energy Office:
http://www.eh.gov.hu/home/html/index.asp?msid=1&sid=0&hkl=1&lng=2
Embassy of the Republic of Hungary: http://www.huembwas.org/
The Hungarian Investment and Trade Development Agency (ITD Hungary):
http://www.itd.hu

Trade and Industry Associations:

Hungarian Advertising Association: http://www.mrsz.hu
Association of Direct Selling: http://www.dsa.hu
Hungarian Banking Association: http://www.bankszovetseg.hu
Federation of Hungarian Printers and Paper Makers: http://www.fedprint.hu
Hungarian Chamber of Commerce and Industry: http://www.mkik.hu
Federation of Hungarian Industrialists: http://www.mgyosz.hu
Association of IT Companies: http://www.ivsz.hu
Association of the Hungarian Electronic and Informatics Industries: http://www.meisz.hu
Hungarian Franchise Association: http://www.franchise.hu
Association of the Hungarian Pharmaceutical Manufacturers: http://www.magyosz.org
Association of Innovative Pharmaceutical Manufacturers: http://www.igy.hu/node/16
Association of the Hungarian Rubber: http://www.magusz.hu
Hungarian Chamber of Real-Estate Association: http://www.maisz.hu
National Association of Building Contractors: http://www.evosz.hu
Federation of Hungarian Food Industries: http://www.efosz.hu
National Association of Packaging and Material Handling: http://www.csaosz.hu
American Chamber of Commerce in Hungary: http://www.amcham.hu

U.S. Commercial Service, Budapest

Senior Commercial Officer: Robert Peaslee
Commercial Attaché: Marianne Drain
Industry Specialists:

- Andrea Imrik, IT and Telecommunications sector, Healthcare, Electronics
- Katalin Barazda, Travel and Tourism sector, Finance, Real Estate,
- Agnes Pandur, Environment Protection, Energy sector, Franchise, Education, Consumer Goods,
- Csilla Viragos, Automotive, Plastics, Consumer Electronics sector, Aviation, Defense
- Andrea Szabo, Administrative and Budget Analyst

Address: Bank Center Granite Tower
Szabadsag ter 7-9
H-1054 Budapest

Tel: (36 1) 475-4090
Fax: (36 1) 475-4676
E-mail: mailto:budapest.office.box@trade.gov
http://www.buyusa.gov/hungary/en/

United States Department of Commerce - Contacts at the U.S. Mission to the EU:

Minister Counselor for Commercial Affairs
Beryl Blecher 32.2.811.5374 beryl.blecher@trade.gov

Deputy Senior Commercial Officer
Val Huston 32.2.811.5328 val.huston@trade.gov

Standards Attaché
William Thorn 32.2.811.5034 william.thorn@trade.gov

Market Access and Trade Compliance Attaché
Ashley Miller 32.2.811.4244 ashley.miller@trade.gov

Commercial Attaché
John Fay 32.2.811.5632 john.fay@trade.gov

NOAA Fisheries Representative
Stephane Vrignaud 32.2.811.5831 stephane.vrignaud@trade.gov

U.S. Commercial Service
U.S. Mission to the European Union
Rue Zinner 13
B-1000 Brussels, Belgium
Tel.: 32.2.811.4100
Fax: 32.2.811.5151
E-mail: brussels.ec.office.box@mail.doc.gov
Website: http://www.buyusa.gov/europeanunion

United States Department of Agriculture - Contacts at the U.S. Mission to the EU:
Office of Agricultural Affairs
U.S. Mission to the European Union
Rue Zinner 13
B-1000 Brussels, Belgium
Tel.: 32.2.811.4247
Fax: 32.2.811.5560
E-mail: AgUSEUBrussels@fas.usda.gov
Website: http://www.fas.usda.gov/posthome/Useu/

Org Chart: http://useu.usmission.gov/agri/staff.html

The European Commission:
European Commission
Rue de la Loi 200 / Wetstraat 200
B-1049 Brussels, Belgium
Tel: 32.2.299.11.11 (switchboard)

Fax: 32.2.295.01.38 (also 295.01.39 and 295.01.40)
Websites: http://ec.europa.eu/index_en.htm (European Commission)
http://ec.europa.eu/comm/external_relations/U.S./intro/index.htm (EU-U.S. relations)

For general information about the European Union:

Delegation of the European Commission to the United States
2300 M Street, N.W.
Washington, D.C. 20037
Tel: (202) 862-9500
Fax: (202) 429-1766
Website: http://www.eurunion.org/

EFTA – European Free Trade Association
Rue Joseph II, 12-16
B – 1000 Brussels
Tel: 32.2.286.17.11
Fax: 32.2.286.17.50
Website: http://www.efta.int/

For Information on Customs-related Matters within the European Union:
Mr. Walter Deffaa , Director General
Directorate General Taxation and Customs Union
Rue de la Loi 200
B-1049 Brussels
Tel: 32.2.295.43.76
Fax: 32.2.296.90.46
Website: http://ec.europa.eu/taxation_customs/customs/index_en.htm

Standards Contacts:

Mr. Gordon Gillerman
Chief of the Global Standards and Information Program
National Centers for Standards and Certification Information (NCSCI)
National Institute of Standards & Technology
100 Bureau Dr.
Mail Stop 2100
Gaithersburg, Maryland 20899
Tel: (301) 975-2573
Website: http://ts.nist.gov/Standards/Global/about.cfm

CEN – European Committee for Standardization
Avenue Marnix 17
B – 1000 Brussels, Belgium
Tel: 32.2.550.08.11
Fax: 32.2.550.08.19
Website: http://www.cen.eu/

CENELEC – European Committee for Electrotechnical Standardization
Avenue Marnix 17
B – 1000 Brussels, Belgium

Tel: 32.2.519.68.71
Fax: 32.2.519.69.19
Website: http://www.cenelec.eu/

ETSI - European Telecommunications Standards Institute
Route des Lucioles 650
F – 06921 Sophia Antipolis Cedex, France
Tel: 33.4.92.94.42.00
Fax: 33.4.93.65.47.16
Website: http://www.etsi.org/

European Commission -Directorate - General Enterprise and Industry
Avenue d'Auderghem 45/Rue Belliard 100
B – 1049 Brussels, Belgium
Tel: 32.2.299.56.72
Fax: 32.2.299.16.75
Website: http://ec.europa.eu/enterprise/standards_policy/index_en.htm

NORMAPME – European Office of Crafts Trades and Small and Medium-Sized Enterprises for Standardization
Rue Jacques de Lalaing 4
B – 1040 Brussels, Belgium
Tel: 32.2.282.05.30
Fax: 32.2.282.05.35
Website: http://www.normapme.com/

ANEC - European Association for the Co-ordination of Consumer Representation in Standardization
Avenue de Tervueren 32, Box 27
B – 1040 Brussels, Belgium
Tel: 32.2.743.24.70
Fax: 32.2.706.54.30
Website: http://www.anec.org

ECOS – European Environmental Citizens Organization for Standardization
Rue d'Edimbourg 26
B – 1050 Brussels, Belgium
Tel: 32.2.894 46 55
Fax: 32.2.894 46 10
Website: http://www.ecostandard.org/

EOTA – European Organization for Technical Approvals (for construction products)
Avenue des Arts 40
B – 1040 Brussels, Belgium
Tel: 32.2.502.69.00
Fax: 32.2.502.38.14
Website: http://www.eota.be/

The European Institute
1001 Connecticut Avenue, N.W., Suite 220,
Washington DC, 20036-5531

Tel: (202) 895-1670
Website: http://www.europeaninstitute.org/

Centre for European Policy Studies (CEPS)
1 Place du Congres
B-1000 Brussels, Belgium
Tel: 32.2.229.39.11
Fax: 32.2.219.41.51
Website: http://www.ceps.eu/index.php

The European Policy Centre
Residence Palace
155 Rue de la Loi
1040 Brussels, Belgium
Tel: 32.2.231.03.40
Fax: 32.2.231.07.04
Website: http://www.epc.eu

European Round Table of Industrialists (ERT)
Place des Carabiniers 18a
B-1030 Brussels
Tel: 32 2 534 31 00
Fax: 32 2 534 73 48
Website: http://www.ert.be/

The Transatlantic Policy Network
Rue Froissart 115, 1st floor
B-1040 Brussels, Belgium
Tel: 32.2.230.61.49
Fax: 32.2.230.58.96
Website: http://www.tpnonline.org/

TransAtlantic Business Dialogue – TABD EU Office
Residence Palace
115 Rue de la Loi, 4th floor
B-1040 Brussels, Belgium
Tel: 32.2. 238.52.40
Fax: 32.2.238.52.42
Website: http://www.tabd.com/

TransAtlantic Business Dialogue – TABD U.S. Office
TABD c/o CSIS
1800 K Street, NW, Suite 400
Washington, DC 20006
Tel: (202) 775 32 51
Fax: (202) 775 31 99
Website: http://www.tabd.com/

The Trans European Policy Studies Association (TEPSA)
11 Rue d'Egmont
B-1000 Brussels, Belgium

Tel: 32.2.511.34.70
Fax: 32.2.511.67.70
Website: http://www.tepsa.be/

Key EU-related websites:

For general information on the European Union

The EU's portal website
http://www.europa.eu

Resource for EU news, policy positions and actors
http://www.euractiv.com/

A to Z index of European Union websites
http://www.eurunion.org/infores/euindex.htm

For information on topics related to doing business in the European Union

EU's "One Stop Internet Shop for Business" (EU funds, technical standards, intellectual property law, and free access to public procurement tender notices via the Tenders Electronic Daily (TED) database).
http://ec.europa.eu/youreurope/bU.S.iness/index_en.htm

EU Member State Chambers of Commerce in the U.S.
http://www.eurunion.org/eu/index.php?option=com_content&task=view&id=2345&Itemid=9

EU market access database (information on tariffs and other trade information)
http://madb.europa.eu/

EURLEX – Access to EU law
http://eur-lex.europa.eu/en/index.htm

CORDIS – Community Research and Development Information Service (EU research and innovation website)
http://cordis.europa.eu/

European Commission Statistical Office (Eurostat)
http://epp.eurostat.ec.europa.eu/

EU Office of Official Publications
http://publications.europa.eu/

EU official website on the euro
http://ec.europa.eu/euro/index_en.html

European Central Bank, Frankfurt
http://www.ecb.int/

European Investment Bank, Luxembourg

http://www.eib.org/

Council of the European Union
http://www.consilium.europa.eu/

European Parliament
http://www.europarl.europa.eu/

European Court of Justice
http://curia.europa.eu/

EU Who is Who – The Official Directory of the European Union
http://europa.eu/whoiswho/public/

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Market Research Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events Return to top

Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

Trade Events in Hungary - 2011
AGRO+MASHEXPO – Agricultural Machinery Exposition
Dates: January 26-29, 2011
Organizer: Hungexpo Zrt.
http://www.agromashexpo.hu

SZŐLÉSZET ÉS PINCÉSZET – Viticulture and Viniculture Exhibition
Dates: January 26-20, 2011
Organizer: Hungexpo Zrt.
http://www.szpkiallitas.hu

BUDAPEST BOAT SHOW
Dates: March 3-6, 2011
Organizer: Hungexpo Zrt.
http://www.boatshow.hu

KARAVÁN SZALON – International Camping and Caravan Saloon

Dates: March 3-6, 2011
Organizer: Hungexpo Zrt.

Travel Show – International Travel and Tourism Exhibition
Dates: March 6-9, 2011
Organizer: Hungexpo Zrt.
http://www.utazas.hungexpo.hu/?utm_source=adwords&utm_medium=cpc&utm_content=searchlink&utm_campaign=utazas2011&redirect_parent_id=MjAxMTAyMDQfd0ee7b7MTY4MjA1MTY=

BUDAPEST MOTOR FESZTIVÁL - Budapest Motorbike Festival
Dates: March 11-13, 2011
Organizer: Hungexpo Zrt.
http://www.motor.hungexpo.hu

FeHoVa – Fishing, Hunting and Arms International Exhibition
Date: March 17-20, 2011
Organizer: Hungexpo Zrt.
http://www.fehova.hu

TUNING SHOW 2010
Dates: March 25-27, 2011
Organizer: TUNING SHOW KFT.
http://www.tuningshow.hu

CONSTRUMA – International Construction Exhibition
Dates: April 5-10, 2011
Organizer: Hungexpo Zrt.
http://www.construma.hu

HUNGAROTHERM
International Trade Exhibition for Heating, Ventilation, Air-Condition Technology and Sanitation
Dates: april 5-10, 2011
Organizer: Hungexpo Zrt.
http://www.hungarotherm.hu/?redirect_parent_id=MjAxMDEyMjc8d22856eMTYwMzY2MDU=

OKOTECH
International Trade Fair for Environmental Protection and Municipal Technology
Dates: April 5-10, 2011
Organizer: Hungexpo Zrt.
http://www.okotech.hungexpo.hu/?redirect_parent_id=MjAxMDA0MTQ65c58664

RENEXPO   CENTRAL EUROPE
International Trade Fair and Cogress for Renewable Energy and Energy Efficiency
Dates: May 5-7, 2011
Organizer: REECO Hungary Kft.
http://www.renexpo-budapest.com/

ELECTRO SALON – International Trade Fair for Electronics, Electrical Technology and Automation
Dates: May 17-20, 2011
Organizer: Hungexpo Zrt.
http://www.electrosalon.hu

MACH-TECH
International Trade Exhibition of Machine Manufacturing and Welding Technology
Dates: May 17-20, 2011
Organizer: Hungexpo Zrt.
http://www.mach-tech.hu/?redirect_parent_id=MjAxMTAyMDQfd0ee7b7MTY4MjA4NzA=

BNV – Budapest International Consumer Goods Fair
Dates: September 28-October 2, 2011
Organizer: Hungexpo Zrt.
http://www.bnv.hu

AUTOMOBIL AUTOTECHNIKA
International Exhibition for Automotive Industry
Dates: October 25-28, 2011
Organizer: Hungexpo Zrt.
http://www.automobil.hungexpo.hu

PROMOTION
International Marketing Communication Trade Fair
Dates: October 25-28, 2011
Organizer: Hungexpo Zrt.
http://www.hungexpo.hu/?action=hir&id=78

BUDATRANSPACK
International Packaging and Material Handling Trade Exhibition
Dates: October 25-28, 2011

Organizer: Hungexpo Zrt.
http://www.bvents.com/event/280154-budatranspack

PRINTEXPO
International Trade Exhibition for Printing Industry
Dates: October 25-28, 2011
Organizer: Hungexpo Zrt.

HÓ-SHOW – Show Show – Winter Sports and Recreation Trade Fair
Dates: November 11-13, 2011
Oganizer: Hungexpo Zrt.
http://www.hoshow.hu

SPA&WELLNESS – Health, Tourism and Lifestyles Trade Fair
Dates: November 11-13, 2011
Organizer: Hungexpo Zrt.
http://www.spahungary.hu

Trade Show Organizer Contact information:
HUNGEXPO Zrt.
H-1101 Budapest, Albertirsai út 10.
Tel: 36-1-263-6000 Fax:36-1- 263-6098
E-mail: mailto:info@hungexpo.hu
Web: http://www.hungexpo.hu

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: http://www.buyusa.gov/hungary/en/

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

The new Trade Lead System (TLS) of the US Department of Agriculture (USDA) is a unique internet data base tool created by Foreign Agricultural Service (FAS) in partnership with the National Association of State Departments of Agriculture (NASDA). The innovative TLS is designed to match U.S. exporters and foreign importers, providing small and medium sized U.S. companies with access to world markets.

The TLS is a simple but effective way for FAS overseas offices to track a trade lead from start to finish and measure the results. FAS posts have their own internet TLS database management interface (DMI). Each post sources a trade lead and places it in their TLS database. In order to facilitate unique responses, State Departments of Agriculture and

U.S. agricultural trade associations also have their own DMIs. By having their own interface, these organizations are able to login, access details of all FAS trade leads, and participate individually in the trade lead process.

When U.S. organizations recognize that a trade lead represents a business opportunity to their base of U.S. exporters, they append a list of potential exporters within the DMI system. After these organizations respond, FAS posts use the system to eventually match importers with exporters. Hopefully, many of these matches result in sales (agbudapest@fas.usda.gov).

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

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