U.S. Department of State
FY 2001 Country Commercial Guide: Hungary

The Country Commercial Guide for Hungary was prepared by U.S. Embassy Budapest and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

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I. EXECUTIVE SUMMARY

The Country Commercial Guide (CCG) presents a comprehensive look at Hungary's commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. Government agencies.

Our aim is to guide you in your exploration of opportunities by providing a basic overview of key issues as well as sources for more detailed information. Unless otherwise noted, all currency exchange calculations in this report are based on the average 1999 exchange rate of USD 1 = HUF 237.15.

Since the political and economic changes of 1989, Hungary has steadily developed into one of Central Europe's most attractive business environments. The level of political, structural and economic stability it has achieved demonstrates the success of its transition to a modern market economy. As a result of that stability, Hungary has become a member of the Organization for Economic Cooperation and Development (OECD), a full North Atlantic Treaty Organization (NATO) ally and an impending member of the European Union (EU). Accession into the EU has been a driving force in many of the structural and macro-economic changes undertaken in Hungary in recent years. With ultimate accession now expected to occur in 2005 (due to the slow speed of internal reforms in the EU itself), Hungary remains committed to the course and is currently harmonizing its legislation to EU norms. Hungary is also a member of the Central European and the European Free Trade Associations (CEFTA and EFTA, respectively), with over 80 percent of its trade carried out with OECD countries. By embracing a partnership with Western Europe and the United States, the successive freely elected governments of Hungary have facilitated the creation of significant opportunities for U.S. investment and trade in the country. In response, the United States has made Hungary its most significant commercial partner and investment market on a per capita basis in the region and has become Hungary's sixth largest trading partner (trailing only Hungary's European neighbors – Germany, Austria, Italy, Russia, and France).

Hungary's overall economy has shown consistent real growth since 1996. In 1999, gross domestic product (GDP) grew at 4.5%, more than twice the EU average of 2.1%. The year 2000 has produced better than anticipated economic growth, with annual GDP projected to be six percent for this year. Industrial production also grew by twenty percent in the first three months of 2000 as compared to the same period in 1999. In fact, with the exception of agriculture, all sectors of the economy showed growth during the period. Overall consumer demand continues to keep pace with the growth in GDP and inflation is projected at nine percent for the year 2000. The first quarter of 2000 showed a wage increase in real terms of 1.2% and a decline in overall unemployment to 6.7%. Recent projections indicating five to six percent growth rates are sustainable and feasible through 2004 with import and export growth expected to both grow at 10-13 percent per year. Based on these positive domestic figures and the expectation of increased investment leading up to EU accession, both Dun & Bradstreet and Standard & Poor's have recently upgraded Hungary's risk rating.

For U.S. businesses, Hungary should maintain its position as one of Central Europe's best destinations for U.S. capital, goods and strategic investment. Over the past several years, U.S. exports of information technology, consumer goods, telecommunications, services, and healthcare technology have been in high demand. The coming year is expected to see a continuation of this demand as well as increased demand for architecture/construction/engineering services and tourism development services in light of the Hungarian government's emphasis on these fields in its National Development Plan released in April 2000. In fact, with services representing a steady 52% of GDP over the last three years, the services sector offers several of the best prospects for U.S. companies in Hungary. Also, with EU accession, Hungary is poised to become an excellent platform for value added production of U.S. products. As has historically been the case, Hungary is a crossroad for trade in Europe. With the prosperous EU to the west and the economically developing nations to the south and east, Hungary offers exporters a stable and cost-effective base from which to expand their European markets.

In the last decade, over USD 23 billion in foreign direct investment (FDI) has entered Hungary. The last year has been no exception to that trend. In 1999, overall FDI rose USD 1.2 billion over 1998 figures to a total of USD 2.6 billion. The U.S. continues to be one of Hungary's largest investors, contributing nearly USD 200 million in 1999 to raise its total investment since 1989 to more than USD 7 billion. Much of the early investment was a result of the strategic privatization of Hungary's state-owned enterprises. However, in recent years more and more FDI has been in the form of greenfield investments undertaken to capitalize on Hungary's primary economic strengths; namely its well-educated labor pool, its growing middle class and its geographic location. A strong pace of investment is expected for the next several years with industry focus on the information technology (IT), tourism, franchising, automotive, electronics, research and development, and general manufacturing sectors.

Hungary's first ten years of foreign investment have clustered in Budapest and major areas in Western Hungary. At the same time, areas in Eastern Hungary, particularly the northeastern cities of Nyíregyhaza, Debrecen, and Miskolc are drawing increasing interest from foreign investors. Through the efforts of the U.S. Embassy with its Eastern Hungary Partnership Program, trade and investment has increased over the past year in this region. In fact, almost USD 400 million in new investment has been attracted and nearly 9,000 new jobs have been created. Additional information on this initiative can be found at www.invest-ehu.com.

Overall, Hungary continues to be one of Central and Eastern Europe's most attractive destinations for U.S. businesses and investors. Its comparatively well-developed economic and commercial infrastructure, its prime geographic location and its stable political environment make it an outstanding domestic market with room for growth and an excellent regional base of operations. Additional information on trade and investment opportunities in Central and Eastern Europe can be found at http://www.cscentraleurope.org.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at http://www.stat-usa.gov, http://www.usatrade.gov, http://www.state.gov and http://www.mac.doc.gov. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRAD(E) or by fax at (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

A. Major Trends and Outlook

The first six months of 2000 have been challenging for Hungary with significant costs to the budget from an environmental disaster (cyanide spill) and record spring flooding. Nonetheless, a lower than expected inflation rate and the acceleration of GDP growth in the first half of 2000 boosted the nominal revenues of the government. The central government spending appears within projections, keeping the 3.5 percent of GDP annual budget deficit target well within reach. The current account deficit is nearing 4.5-5 percent where it is projected to remain through the end of 2000. Hungary can still expect GDP growth of a healthy 5.5-6 percent this year. The picture of Hungary as a full partner with the family of democratic nations, converging on the EU, still accurately characterizes the situation on the ground.

Despite a challenging year in 1999, Hungary's fundamental strength as a fully functioning market economy provides it with the foundation needed to weather regional turbulence. Nonetheless, fiscal probity will have to be the policy hallmark, along with continued efforts to reduce inflation, prevent deterioration in the external balances, and support the pro-investment policies of the past, while completing structural reforms, in areas such as taxation, public and higher education, health care, and local government financing.

Hungary no longer requires International Monetary Fund (IMF) financial assistance and has repaid all its debt to the Fund. Hungary's sovereign foreign currency debt issuance's carry favorable, mid-investment-grade ratings from all major credit rating agencies, with Moody's considering an upgrade to the high-grade rating A3 from Baa1 in the fall of 2000. Hungary's currency, the forint (HUF), is fully convertible for current account purposes, and is managed by a pre-announced crawling peg devaluation foreign exchange regime. As of January 1, 2000, the central value of the forint is pegged 100 percent to the Euro, replacing the previous currency basket of 30 percent U.S. dollar, 70 percent Euro. The current rate of monthly devaluation of 0.3 percent will be cut to 0.2 percent later in 2000. Hungary became a member of the OECD in May 1996; is a founding member of the World Trade Organization (WTO); joined NATO in March 1999, and has been in on-going, substantive EU accession negotiations since March 1998.

- GDP growth in 1999 was 4.5 percent and is predicted to reach 5.5-6 by the end of 2000. GDP growth was 4.6 percent in 1997 and 5.1 percent in 1998.

- The 1999 consolidated public sector deficit was 4.9 percent of GDP, below the government target of 5 percent. In the first four months of 2000, the deficit reached 36 percent of the government's 2000 target of 3.5 percent of GDP, making that target appear well within reach.

- The consolidated public sector gross debt stock continued to decline from an end-1993 level of 90 percent of GDP to 60.3 percent at the end of 1999, meeting the EU Maastricht threshold of 60 percent.

- The volume of exports grew by 29.7 percent in 1999, while imports increased by 29.7 percent. The value of exports went up by 8.7 percent in 1999 (USD 25 billion), while the increase in imports was 9 percent (USD 28 billion). Export and import growth of 13 to 15 percent, and 14 to 15 percent, respectively, are likely in 2000. In the first quarter of 2000, exports and imports amounted to USD 6.3 billion and USD 7.1 billion respectively.

- The very high export growth and large privatization receipts of the last three years, which allowed for a rapid reduction in Hungary's debt load, ebbed in 1999 and 2000. Hungary is expected to continue its careful handling of the now-manageable debt burden to maintain favorable debt ratings and borrowing terms. Highly successful 1999 offerings in 7-10-year bonds denominated in Euros, dollars, and forints were part of a strategy of lengthening maturities and diversifying currency risk.

- The inflation rate fell rapidly from an annual average of 18.4 percent in 1997 to 14.3 percent in 1998 and then to 10.3 percent in 1999. Year-on-year inflation dipped to 9.1 percent in June 2000, and the government has forecast an 8 percent annual average inflation, below the earlier market expectation of 8.6-8.8 percent.

- With about USD 23 billion in FDI since 1989, Hungary has been a leading destination for FDI in Central and Eastern Europe (including the former Soviet Union). Of this, over USD 7 billion has come from U.S. companies. The largest U.S. investors include General Electric, General Motors, Guardian, Coca-Cola, Ford, IBM, Flextronics, Jabil Circuit, Delphi-Calsonic, and PepsiCo. Almost 75 percent of Hungarian exports are produced fully or partially by foreign owned companies. Fifty-five percent of FDI is invested in the industrial sector, particularly automotive and information technology.

- Hungary stands out as a model of telecom, banking and energy sector cash privatization. One-third of all FDI has come from privatization transactions. Majority share sales of state-owned assets are essentially complete; minority and blocking shares in major firms are next to go, and will be sold through the stock exchange. The private sector produces over 80 percent of GDP. Foreign owners control 90 percent of telecommunications, 70 percent of financial institutions, 66 percent of industry, 60 percent of energy production, and 50 percent of the trading sector.

- A year of high volatility on the Budapest Stock Exchange (BSE) calmed in the first half of 1999, with the BUX index continuing its recovery from its late 1998 Russia-crisis crash to roughly 75 percent of its July 1998 record high. The BSE began to increase steadily during the last quarter of 1999. This impetus continued until March 2000 when the BUX exceeded 10,000 and has fluctuated between 8,000-8,500 in the second quarter. As of July 2000, the BSE listed 62 companies and 5 investment funds. New privatization public offerings should boost private savings as well as equity markets.

- In 1999, 88 percent of Hungary's exports went to OECD countries and 77 percent to the EU. U.S. exports to Hungary reached roughly USD 703 million in 1999, up 60 percent over 1998. Hungary's exports to the U.S. decreased 14 percent to about USD 1.3 billion. Hungary was the 64th largest export market for the U.S. in 1999. Primary U.S. exports to Hungary include auto parts, computer equipment, films, videos, and CDs. Hungary's primary exports to the U.S. include electrical machinery, machine tools, vehicles (non-railway), and organic chemicals.

B. Principal Growth Sectors

The manufacturing sector, which accounts for almost 90% of industrial production, grew by 13% in 1999. Within the overall manufacturing sector, the following categories are considered to have substantial growth prospects in the coming years.

- Communication Engineering

The communication engineering industry comprises the manufacture of industrial communication systems (telecommunications devices, telephone exchanges, transmission technology devices, telephone sets, and broadcasting devices). It also includes the manufacture of electrotechnical consumer goods (TV sets, videocassette recorders, radio receivers, CD players), electronic parts (semiconductors, resistances, condensers, electromechanical parts) and components. The production value of the Hungarian communication-engineering sector has increased almost 8-fold since 1994 at current prices. The majority of that output is exported to foreign markets. Consumer goods and consumer electronic devices account for the largest part of both production and exports.

- Information Technology/Hardware and Software Production

Since 1989, practically every major international IT enterprise has established a Hungarian company and representative offices, and has chosen its distributors and dealers. The proportion of foreign capital is close to 90 per cent in computer (and parts) manufacturing, while in the software production and consulting sector it is closer to fifty per cent.

The Hungarian market is still strongly PC-oriented: the most popular products on the hardware market are clearly personal computers and printers. In 1997-1998, the investments in computers showed more dynamic growth in the medium and large business sphere, and the growth will progress at an even faster rate in the coming years. Most of the companies have become aware that without the use of IT tools; their competitive position on their markets would significantly drop.

Expansion is being experienced in the market of Unix machines, PCs, data communication hardware and electronic office tools. The interest in software and information technology services is getting stronger.

Compared to 1997, the production value of computer manufacturing rose by almost 90 per cent, while productivity rose by more than 150 per cent. Sales on export markets doubled, and a major part of the products were exported.

- Automotive

More than thirteen percent of total Hungarian industrial output is accounted for by the vehicle manufacturing industry. Two significant sectors of this industry are motor vehicle manufacturing and automotive parts manufacturing. Due to the rapid development of the automotive industry and the arrival of car and automotive parts manufacturing multinational companies in Hungary, automotive parts manufacturing experienced a quick-paced growth in the 1990s. An even more dynamic development was experienced in the manufacture of electric parts for vehicles.

Major companies, including Ford, General Motors, Audi, Suzuki and United Technologies Automotive, have established multi-million dollar investments for auto-assembly and/or component manufacture. Equally important, these companies are expanding operations and manufacturing and seeking to use more Hungarian components. Hungary has targeted increased investment in this sector as a primary goal. While domestic demand for cars is important, the basic rationale for automotive production in Hungary continues: skilled and relatively low wage labor; an ever-increasing automotive supplier and vendor network; a stable economy; and a highly advantageous location.

- Services

The presence of a wide range of U.S. and international service providers in virtually all areas bears witness to the potential of the Hungarian market and its openness to foreign service providers. Depending on the particular service, opportunities exist both for further penetration of the market through the acquisition of new customers (i.e., franchise, Internet) as well as the introduction of new or higher-quality services for existing customers (i.e., e-commerce, environmental services).

The following eight broad service areas represent expanding or new market opportunities for U.S. firms, with numerous discrete subsectors included: (1) Travel and Tourism Services; (2) ACE - Architecture/Construction/Engineering Services; (3) Franchising; (4) Financial Services; (5) Telecommunications Services; (6) Internet Services; (7) Environmental Services – Pollution Control; and, (8) Education and Training Services.

C. Government Role in the Economy

Since 1989, the private sector in Hungary has grown from approximately 20 percent to over 80 percent of GDP. The socialist-led government of 1994-1998 accelerated the privatization process, with significant progress in 1995-1997, notably in energy, banking and telecommunications. Some 1,700 of 2,000 state-owned companies were privatized between 1989 and 1999, with another 44 firms still to go. With foreign direct investment from the cash privatization of state-owned companies declining, the government has prioritized attracting greenfield investments to Hungary. The Hungarian Investment and Trade Development Agency (ITDH), was established by the Ministry of Economic Affairs in 1993. ITDH promotes new greenfield investments and is a good starting point for foreign companies interested in investing in Hungary. $1.5 billion in FDI was received in 1999 and between $1.5 and $2.0 billion is expected again in 2000. The government budget has been under 50 percent of GDP since 1997, and this figure is expected to drop below 45 percent by the year 2002. The current account deficit of nearly $2.0 billion in 1999 may be exceeded slightly in 2000 due primarily to higher energy prices.

Under the Government of Hungary's new economic development plan, the Szechenyi Plan, USD 1 Billion will be spent in 2000 on five major areas: housing; motorway, bridges and highway construction; development of the small and medium-sized enterprise sector; increased tourism development, and increased innovation and R&D in particular in the field of information technology. The government has characterized the funding as "seed money," and has challenged the private sector to target these areas for investment as well.

D. Balance of Payments Situation

After declining to a 20-year low of USD 987 million (2.2 percent of GDP) in 1997, the current account deficit widened in 1998 to USD 2.3 billion (5 percent of GDP). The current account closed with a deficit of USD 2.1 billion in 1999 (4.3 percent of GDP) while the current account deficit was USD 415 million for the first five months of 2000. The government has projected a current account deficit of 4.5 to 5 percent of GDP, or around USD 2 billion, with the non-debt creating foreign direct investment (FDI) hovering around this figure.

E. Adequacy of Infrastructure

Hungary has a relatively developed western-style business infrastructure available at one of the lowest costs in Central and Eastern Europe. Most businesses are headquartered in the capital city, Budapest, where almost two million people or twenty percent of the population live. There are well-established transportation, communication, banking, insurance, accounting, and legal systems. A growing supply of both professional, Class-A category office space, residential developments, international schools and new logistics and warehousing facilities are contributing to the success of Hungary as a market and as a base of regional operations for foreign companies.

The national transportation infrastructure is currently undergoing a major government-supported reconstruction since four-lane highways cover only part of the country. The state-run in-country railway system is widely used for industrial shipping, along with trucking for its low cost and high reliability. As part of its latest National Economic Plan, the Government has announced and started implementing a multi-billion dollar ten-year motorway construction program linking all major cities with four-lane highways over the next seven years. As a result of that development program, driving times throughout Hungary will decrease by 40 percent by the year 2010, making it possible to drive through the country in 5 hours. In addition, Hungary has concluded preparation plans to build a European Corridor from Venice, Italy to Kiev, Ukraine. Hungary's major airport, Ferihegy, is located in Budapest. The airport currently operates from two modern terminals, with a third terminal projected to be constructed soon. The first post-World War regular domestic air service was reestablished in the summer of 2000, connecting the capital and Miskolc, a major industrial city in Eastern Hungary. Larger cities maintain airports for private aircraft and development plans are close to the implementation phase for transforming several former Soviet air bases into domestic passenger and cargo airfields. Budapest is serviced by all major international airlines, with a dynamic growth in the charter air service market to closer destinations in the region.

Hungary now has a highly developed telecommunications system as indicated by segments of the country with 76 percent digital service, and the choice of 450, 900, or 1800 MHz mobile service with 100% physical coverage. Mobile phone penetration projected on the population is 30%. MATAV, the national telephone company holds a monopoly on international calling and several local service areas until December 2001, at which time several companies are expected to offer competitive service. There were 3.7 million telephone lines in Hungary at the end of 1999. Major investments have resulted in 200,000 - 300,000 new lines per year. Regarding the Internet, there are 30 Internet Service Providers (ISPs) in Hungary. Three ISPs – MATAVNet, PSINet, and Datanet – service 84% of the market. The number of regular Internet users in Hungary is close to one million, which represents almost a 10% penetration rate projected on the population. The number of Internet users doubles yearly. The Hungarian government has recently identified information technologies as one of the priority economic sectors to develop and is dedicating significant budget resources to bring businesses and homes online.

Hungary almost fully privatized its energy sector in the mid-1990s. Foreign energy firms purchased power generation plants, electricity distribution companies and gas filling station networks with the aim to modernize and expand capacities in order to meet new industrial and environmental demand as well as replace capacity from the retirement of obsolete facilities. Oil and gas exploration, transmission, imports, exports and wholesale trade are still dominated by the national oil and gas company, MOL. The fuel retail market was fully liberalized in the early 1990's, whereas the opening of the power and the natural gas market is currently underway. Leading the transitional economies of Central and Eastern Europe, Hungary has announced plans to open 15% of its power market to free competition in the summer of 2001, with gradual steps scheduled to full opening by the year 2005.

III. POLITICAL ENVIRONMENT

A. Nature of Political Relationship with the United States

Bilateral relations between the United States and Hungary are excellent. Euro-Atlantic integration and Hungary's strong pro-U.S. outlook enjoy solid support among all major political parties and the public as a whole. Hungary's integration with western political, economic and security institutions continues to advance with U.S. support. Hungary became a member of NATO in March 1999. Throughout the Kosovo crisis, it proved itself a steadfast ally, providing important political and logistical support during the conflict. Hungary is contributing to the KFOR peacekeeping mission in Kosovo, as well as several other international peacekeeping or observer missions, including Cyprus, Georgia, and Bosnia. Since 1995 Hungary has hosted a U.S. military base that supports American SFOR troops in Bosnia. Hungary is also an active participant in multilateral fora, including the Stability Pact for Southeastern Europe.

The U.S.-Hungarian Mutual Legal Assistance Treaty (MLAT) went into effect in August 1996. Hungary and the U.S. are partners in the creation of the International Law Enforcement Academy (ILEA) located in Budapest to train police officers from the region and to improve cooperation in all areas of law enforcement. Hungary and the United States are cooperating actively in the fight against international organized crime, and in May 2000 the FBI opened a liaison office in Budapest to assist this effort. Hungary, along with the United States, is among only eight countries in the world which are party to ten key international conventions for combating terrorism. The United States encouraged Hungary's entry into the OECD and supports Hungary's bid for EU membership.

B. Major Political Issues Affecting the Business Climate

For the third consecutive time since free elections were established in 1990, Hungarians voted incumbents out of office in the May 1998 general elections. The current governing coalition promised to continue the previous policy of fiscal responsibility, to pursue European integration, and initial ministerial appointments inspired business confidence. Global financial turbulence in the second half of 1998 and the extraordinary events of the first half of 1999 (including flooding and the Kosovo conflict) made for a very difficult policy-making environment. Unprecedented flooding struck again in the spring of 2000. As a result, every government ministry was required to give up two percent of its budget for flood relief and clean-up efforts. The government continues its efforts to adapt its legal and regulatory system to meet EU standards, with the goal of being ready for EU membership by the end of 2002.

C. Brief Synopsis of the Political System

Hungary is a parliamentary democracy with a freely elected legislative assembly that initiates and approves legislation. The Prime Minister nominates the cabinet, and Parliament approves the choices after open hearings. Viktor Orban, the leader of the Fidesz - Hungarian Civic Party, heads a center-right coalition government which was formed in June 1998, with the Hungarian Democratic Forum (MDF) and the Independent Smallholders' Party (FKGP). Fidesz controls 147 of the 386 parliamentary seats, and the coalition as a whole controls 211 seats. The center-left opposition is comprised of the Hungarian Socialist Party (MSZP) and the Alliance of Free Democrats (SZDSZ). Although Hungarian election politics have evolved into a contest between center-right and center-left, in 1998 an extreme right party, the Hungarian Justice and Life Party (MIEP) earned over 5 percent of the vote nationwide and gained parliamentary representation. MIEP's influence during its first two years in Parliament has been marginal.

Hungary's head of state is the President, a largely ceremonial position. The President is elected by Parliament. Arpad Goncz completed his second five-year term in August 2000 and retired. In May, Parliament elected Ferenc Madl, a highly respected academic, as the new President, and he took office on August 4.

IV. MARKETING U.S. PRODUCTS AND SERVICES

A. Distribution and Sales Channels

Hungary is a country of 10 million residents in an area approximately the size of the state of Indiana. Nearly two million people live in the capital city of Budapest, where most business and trade is concentrated, while production is primarily outside the capital. Budapest is also becoming the city of choice for establishing Southeast European headquarters for more and more multinationals (e.g., Opel, Pepsico, Compaq, AIG/Lincoln, etc.). Along with Budapest, the ten largest cities (with populations) in Hungary are Debrecen (203,648), Miskolc (172,357), Szeged (158,158), Pecs (157,332), Gyor (127,119), Nyiregyhaza (112,419), Kecskemet (105,606), Szekesfehervar (105,119), and Szombathely (81,228).

Retail and wholesale distribution is developing toward western standards in Hungary combined with certain local specialties. Due to the relatively young, thin and undercapitalized local trading company structure, it is not unusual for retailing and wholesaling to be combined. As a result of the hardships of the ongoing economic transition, the buying power of the middle class has been decreasing until recently. This has supported the development of low-cost and flat distribution structures. To date the middle sections of the distribution pyramid, stocking distributors, mass merchandisers and jobbers have not fully developed for many product groups. The prospering companies of this segment are typically wholly owned subsidiaries of European manufacturers. A typical distribution channel in Hungary starts with the importer-wholesaler, which may directly service the retailer or the end-user. Hungarian agents or distributors typically look to the foreign partner to provide marketing and promotional support, training and financing.

Competition in the consumer goods sector is intense in Hungary. While brand name recognition is important, it is a great challenge for U.S. firms to develop brand images and loyalty, as the market is overwhelmed by hundreds of new products.

The retail sector is characterized by very small entrepreneurial, “mom-and-pop” stores, which have opened in the past ten years. There are thousands of such small retail outlets across the country, posing logistical challenges for distributors.

However, Budapest’s retail sector is clearly dominated by larger department stores and supermarkets, with small family-run stores being most common in the rural areas. Examples of foreign chains with operations in Hungary include Auchan (France), Metro (Germany), Michelfeit (Austria), Ikea (Sweden), Baumax (Germany), OBI (Germany), Humanic (Austria), Julius Meinl (Austria), Penny Market (UK), Cora (France), Marks & Spencer (UK), and Tesco (UK). Indoor shopping malls have rapidly expanded throughout the Budapest capital area, as well as other major cities. The largest mall complex in Central Europe, West End City Center, was opened in 1999 in central Budapest with construction of MOM Park, another large facility in Budapest slated for completion in 2000. In other larger cities smaller shopping malls are just starting to be developed.

Hungary is still largely a cash economy. However, banks are increasing the issuance of credit cards. Checks are almost unheard of. Most payments for regular transactions, if not cash, are made by wire transfer. There is a large network of automatic teller machines (ATMs) throughout Hungary.

B. Use of Agents and Distributors

The use of distributors or local agents is recommended in those instances when establishing a sales subsidiary is not feasible. Most European competitors of U.S. companies choose to open wholly owned sales or distribution subsidiaries in Hungary, providing stronger financial and managerial support and geographical exclusivity coupled with full control in the distribution of products in general. This system for market penetration stems from the traditional European business expansion methodology of the pre-world war era.

Existing lines of distribution for a particular product often have not yet been established in Hungary. There are many firms that have the expertise and product–knowledge to distribute products; however, they may be fairly new to acting as a distributor. These firms are typically small without company literature and brochures. This is characteristic of the entrepreneurial spirit in Hungary where a firm typically employs less than 50 people. There are few firms with the size and financial resources to act as a stocking distributor.

Distributors can provide strategic support for the positioning of the brand in the market through advertising and promotion; they understand the local culture and can assist with after-sales services. This value-added service is increasingly important for customers and contributes to creating a positive image for the U.S. firm doing business abroad. For historic reasons, heavy trading competition and the relatively small size of the Hungarian market, many distributors will ask for some kind of exclusivity. This custom should not necessarily discourage U.S. exporters from negotiating further, but regional or nationwide exclusivity could be tied to certain sales levels to be reached in a mutually agreed trial period. Hungarian trade fairs, which have become more and more specific in scope, are a good place to look for possible distributors.

Still, most Hungarian companies prefer to be an agent on a commission basis because they do not have the financial resources necessary to carry stock due to the high cost of capital in Hungary. An agent or representative (equivalent to the U.S. sales agent) acts on behalf of its principal and promotes the principal's business without actually taking title or any financial risk. Agents typically earn a 5-8% commission or fee on sales in Hungary in contrast to distributors who typically use higher margins depending on the industry. Use of agents is the most widespread in the more capital- and technical expertise-intensive machining, tooling and heavy industrial sectors, where skilled older engineers with a good understanding of the local market are usually readily available to represent U.S. exporters.

In order for a U.S. company to decide what form of representation best suits them, they should consider the degree of leverage they can exert over the following variables: price control, channel network, policy, operational expenses and after-sales service.

The Commercial Service of the U.S. Embassy can provide a head start to firms seeking an agent or distributor in Hungary through its Agent/Distributor Service (ADS) or Gold Key Service program. Further information can be obtained by visiting the Commercial Service's website at http://www.usatrade.gov or by contacting Department of Commerce District Offices in major cities in the United States or the Commercial Service in Budapest (see contact numbers at end of this Guide).

C. Franchising

Currently, there are approximately 400 franchise operations in Hungary, half of which are foreign owned. Fast-food franchisers, such as McDonald's, Pizza Hut, and Kentucky Fried Chicken have been rather successful. Porst (a German film developing chain), Eastman Kodak, and car rental companies like Hertz are also well established.

Selling sub-franchises, providing financing, setting lower master franchise fees or using foreign master franchisees is the key to succeeding in the Hungarian franchise market. Franchising is still relatively underdeveloped in Hungary compared to U.S. or West European standards. As a proportion of the retail sector, it lags considerably behind the United States, Japan, and the EU. Inefficiencies in the delivery of goods and services and a developing middle class suggest that there are significant opportunities in franchising.

One obstacle to the development of franchising in Hungary is the lack of personal capital or access to credit. Therefore, perhaps the best franchising models for the Hungarian market are home-based, lower capital franchises that focus on the well-educated, highly motivated Hungarians who already possess a natural inclination toward small-scale entrepreneurship but lack financing.

D. Direct Marketing

Direct selling, though comparatively underdeveloped, is an accepted form of business in Hungary. Direct marketing through the Internet is also a growing trend in Hungary. In order to decrease risks on the part of the buyers, to assist the consumers in understanding the advantages of direct selling, and to recognize trustworthy companies, an association was founded in April 1993. The Hungarian Direct Selling Association (DSA) is a member of the Federation of European Direct Selling Associations (FEDSA) and also affiliated to the World Federation of Direct Selling Associations (WFDSA). The member companies include AMC Hungary Kft., Amway Hungaria Marketing Kft., Avon Cosmetics Hungary Kft., Carion Rt., Golden Neo-Life Diamite Int'l Kft., Lux Hungaria Kft., Oriflame Hungary Cosmetics Kft., Sunrider Hungary Kft., and Tupperware Trading Kft.

All members of DSA have pledged to honor the Association's Code of Conduct which requires fair treatment vis-à-vis the customers. For more information contact:

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E. Forms of Business

As part of Hungary's efforts to harmonize its regulations with the EU, substantial changes to the laws affecting business entities were introduced in 1997. These changes included the introduction of a new Companies Act (Act CXLIV of 1997), an Act on the Registration of Companies (Act CXLV of 1997) and an Act on Branches and Representative Offices (Act CXXXII of 1997). The new Companies Act came into effect on June 16, 1998.

The following six types of entities ("companies") are available under the Companies Act, each of which can be 100 percent foreign owned and managed.

1. Company limited by shares (Reszvenytarsasag—Rt).
   - A "company limited by share" (Rt) can be either a public or private company. The minimum share capital for a Rt is HUF 20 million. (USD 84,335).

2. Limited liability company (Korlatolt felelossegu tarsasag—Kft).
   - A "limited liability company" (Kft) is the most popular form for foreign investors. The share capital of the Kft is minimum HUF 3 million (USD 12,650). This may consist of both cash contributions and contributions in kind. The minimum cash contribution for founding a Kft is HUF 1 million (USD 4,217) or 30 percent of the share capital.

3. General partnership (Kozkereseti tarsasag—Kkt).
   - The Companies Act does not limit the number of partners in a partnership, provided there are at least two. There are no maximum or minimum capital limits.

4. Limited partnership (Beteti tarsasag—Bt).
   - A limited partnership must have at least one unlimited partner.

5. Trade association (Egyesules).

6. Joint enterprise (Kozos vallalat—Kv).

The most substantial change from the perspective of a foreign investor is that foreign corporations may now establish branch operations. The Act on Branches and Representative Offices (Act CXXXII of 1997), in effect since July 1998, allows the formation of branch offices of foreign companies which may conduct full-scope business activities, such as trading, contracting, manufacturing and rendering of services. However, the Act limits the scope of activities of Representative Offices to those of an auxiliary or supplementary nature (i.e., mediation and marketing) and disallows the establishment of Information and Service Offices.

Information and Service Offices established prior to December 31, 1997 had the opportunity to change their form to representative office by December 31, 1999. If they failed to do so, they were cancelled from the Company Register.

Since January 1, 1994, the establishment of offshore companies has also been permitted in Hungary. Under the law on corporate taxation, offshore companies enjoy a 97 percent tax preference. An off-shore company must be a limited liability company or shareholders' company registered in Hungary, and must be wholly foreign owned. In addition, the company must not offer goods or services for sale in Hungary and Hungarian tax residents must fill the majority of the management positions within the company.

F. Joint Ventures/Licensing

The establishment and operation of joint ventures in Hungary has been permitted since 1972. The foundation of companies operating with foreign participation is subject essentially to the same treatment as that of exclusively Hungarian-owned companies. In 1989, the earlier licensing procedure was abolished and today it is sufficient to have the company simply incorporated with the Court of Registration. Foreign investors are allowed to purchase shares in Hungarian firms up to 100 percent majority participation. However, most joint ventures between U.S. and Hungarian partners are initially formed with the U.S. partner holding a minority share. Joint ventures and wholly foreign-owned ventures (as all businesses in Hungary) are entitled to pursue foreign trade activities.

G. Steps to Establishing an Office

Registration of companies has become somewhat simpler under the Act on the Registration of Companies (Act CXLV of 1997). The new process is quicker and more efficient. For example, the new registration process allows companies to request tax and social security numbers at the same time they file the documents at the Court of Registration.

The registration application must be filed with the appropriate Hungarian Court of Registration within 30 days following the signing of the statutes. If an official license is required for the establishment of the company, it must be attached to the application form. The court must decide on the application within sixty days. If the court fails to do so, the company will automatically be registered on the seventieth day from the day of application. If the court rejects the application, the company must terminate its operation and its members are liable for its debts.

Before registration is complete, but after an attorney at law or a notary public has countersigned the statutes, the company can operate as a “pre-company.” A pre-company may pursue business activities only after the application for registration has been submitted. Further, it may not pursue activities requiring an official license until the registration is complete. During the pre-company stage, the company cannot change its membership, alter the statutes, or initiate legal proceedings to exclude a member, resolve on termination without a legal successor, change its legal form, or merge into or with another company.

U.S. entities planning to set up businesses in Hungary are advised to consult with an experienced attorney and accounting firm. (Lists of law and accounting firms may be obtained from the U.S. Embassy’s commercial section.) In addition, it should be noted that obtaining and renewing work and residence permits has become increasingly onerous as the government attempts to crack down on illegal residents. U.S. businesses are urged to hire a law or accounting firm or a company that specializes in this type of work to assist with the process.

Currently there is approximately 600,000 square meters of modern office space erected in Budapest. In 1999, there was approximately 155,000 square meters of office space available in Budapest with an additional 216,000 square meters of new office space expected to open in the year 2000. New office spaces are generally let in units over 2,000 square meters and for a period of 3-5 years. In 1999, the average office space rental in Budapest was USD 432 per square meter (m2) per year and the average industrial facility rental was USD 98 m2 per year.

H. Selling Factors/Techniques

People in Budapest and the major cities in western Hungary have more purchasing power than those in rural areas, as unemployment is lower in the cities. The countryside is dotted with single-factory (or formerly single-factory) towns with high unemployment, especially in eastern Hungary.

Success in the Hungarian market is extremely difficult without an in-country representative, whether it is an agent, distributor, or representative office. Letters, faxes, websites and packages of product literature will introduce a product or service. Hungarian language communication is recommended for speediest response. U.S. companies should make an effort to make sure that the translation of their company brochures, product literature and general introductory materials is done by professional translators.

The decision making process, especially in large companies or government agencies, can be painfully slow. It usually takes several meetings, and many rounds of negotiations before a deal is closed. Therefore, the product may not be sold in the first meeting, as the customer will want some time to further consider the points discussed and to try to arrange financing. Small orders are usually the result, as major initial orders are unlikely due to limited amounts of working capital and high rates of interest on credit.

The U.S. exporter should be aware of the Hungarian company's main problem: access to capital. With inflation at 8-9% (in 2000) and bank loans still at 16-26% interest rates it is difficult for Hungarian companies and customers to finance purchases through a Hungarian bank. Most Hungarian firms are still too small to consider going public or issuing commercial paper. Therefore most business activities, including payment for imports, are still self-financed. U.S. companies that can guide their customers to affordable financing (e.g., U.S. Ex-Im Bank) have better chances in competing with EU exporters, who come prepared for this situation and generally offer 60 day terms to their customers.

Hungarian customers are generally enthusiastic about U.S. products and, if seriously interested, will travel across the country to meet with the U.S. representative who may be visiting Budapest. However, considering the traditionally strong European economic and personal relationships that play a key role in new business development, in most cases it is strongly recommended for the U.S. exporter to visit their potential customer when presenting a proposal. The Commercial Service in Budapest is prepared to perform pre-screening of export market potential in Hungary for U.S. firms prior to their committing resources to a business trip. If a sales proposal is well thought out, the pricing is flexible (or assistance with locating and arranging financing is offered), promotion, servicing and customer support is part of the package, chances are good that a contract will ultimately be written. As in most regions, doing business in Hungary is built upon personal relationships and trust.

I. Advertising and Trade Promotion

Trade promotion is a critical part of success in the Hungarian market. Participation in trade shows and trade/scientific seminars (both international and local) is recommended. Use of scientific/information papers in industry association magazines and trade journals is another effective tool for informing the Hungarian market about your product. Co-operation with universities, colleges, and technical universities is also a popular type of trade promotion in Hungary.

Fairs in computers, environmental, automotive, agri-business, consumer goods, and building products have grown in popularity in recent years. Most U.S. firms find that exhibiting directly in a Hungarian fair is still less cost effective than participation in many big European trade fairs. As a result, direct U.S. company presence at trade fairs in Hungary is minimal, but many U.S. firms exhibit through their European or Hungarian distributors.

Advertising in Hungary is critical especially in the consumer products field. Hungarian purchasing decisions are increasingly subject to sophisticated print and electronic media techniques. Most large Hungarian firms engage in some form of advertising. The most popular media (in order of preference) are television (42%), print media (42%), outdoor billboards/signs (8%), radio (7%), and movie spots (<1%). The Competition Law prohibits advertisements that mislead consumers or endanger the reputation of competitors. The Advertising Law, passed in June 1997, liberalized advertising, including lifting a ban on advertising alcohol, tobacco and pharmaceuticals.

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J. Pricing Issues

Pricing is a key factor in selling a product in Hungary, as the market is very price sensitive. The most common complaint about U.S. products continues to be that the price is too high. Pricing products of U.S. origin is complicated by the additional customs duties, 25% Value Added Tax (VAT), and in some cases, an excise taxes (35% on gold, 10-32% on cars, 12% on coffee, 11% on wine) which elevate the retail price dramatically. Note there is a reduced VAT of 12% for food, books, hotel accommodations, electricity, gas, heating and water supply services, and a zero VAT for some goods such as registered medicine, vitamins, oxygen, and text books.

Flexibility is the key to your pricing strategy in order to penetrate the market. Successful U.S. exporters work together with their Hungarian representatives to keep costs, particularly import costs, as low as possible (for example, some companies ship products unassembled when it results in lower duties or offer favorable financing with the help of the U.S. Ex-Im Bank).

Although state subsidies and price controls for many products have been eliminated, the Hungarian

Government continues to subsidize basic services such as utilities, mass transportation and pharmaceutical products.

K. Sales Service/Customer Support

After-market sales service and customer support is a vital part of your sales package in Hungary. Due to the distance between the United States and Hungary, a potential customer may choose a EU or locally-produced product because of their concerns regarding obtaining replacement parts in a timely manner should the product require servicing.

U.S. firms should consider stocking replacement parts or establishing servicing arrangements in Hungary in order to offer the same or better service than other vendors. Shipping a product back to the United States for repair or service, even if paid for by the U.S. company, is not generally a preferred option for Hungarian customers.

L. Selling to the Government

The Act on Public Procurement of 1995 requires open tenders for government purchases of goods exceeding HUF 16 million (USD 67,468); services over HUF 8 million (USD 33,734); and, construction HUF 32 million (USD 134,936). Although these requirements have led to greater transparency and fairness in government procurement, problems have surfaced in recent tenders.

The Hungarian Public Procurement Council handled nearly 4,000 public procurement cases in 1999 with a total value of over HUF 430 billion (over USD 1.8 billion). This equals some 4 to 5% of the country's gross domestic product. Roughly 70% of the total value came in the form of open tender which best meets the requirement of the widest possible openness and transparency required by law. However, the remaining 30% (closed tenders) is rather high compared to previous years. A reason behind this may be the desire of all participants to "cut the process short" as much as possible. As for closed tenders, in an exceptionally high number of cases no invitiations to bid were offerred at all.

Since this violated the transparency requirement, an amendment to the 1995 Act on Public Procurement was passed recently (with effect as of September 1, 1999) with aims to simplify the public procurement process, clarify contradictory stipulations and expand the authority of the Public Procurement Commisssion of Arbitrators in dispute settlement. A remarkable drop during the first two months of 2000 in the closed tenders without invitation clearly indicates the success of this Amendment.

Of the total revenue generated by public procurement last year municipalities had a share of 34%, public utilities 29%, state administration authorities 27%, and others 10%. As for the nature of cases, 48% involved building construction, 32% product procurement, and 20% services. Last year the Public Procurement Commission of Arbitrators received 367 requests for legal remedy (nearly 10% of the total number of cases), a rather high figure by international comparison.

In a recent report the European Commission acknowledged Hungary's efforts in harmonizing its basic principles of public procurement regulations to that of the European Union. The procurement announcements and decisions by the Commission of Arbitrators are published regularly in the weekly journal Kozbeszerzesi Ertesito (Public Procurement Review).

Centralized Procurement Process: In addition to being governed by the above general rules for open and transparent public procurement, the over 1000 institutions that receive financing from the Hungarian central budget (government offices, educational institutions, hospitals, etc.) are typically required to select from a centralized list of specific products and vendors in major procurement categories. These include products such as computer hardware, software and services, automobiles, office furniture and supplies etc. More information on upcoming tenders for vendors in these product categories can be obtained from the Hungarian government's Public Procurement and Economics Directorate. An online list (in Hungarian) of the products and vendors currently on the public procurement list can be obtained at www.kozbeszerzes.gov.hu/hirek/ujk.html.

M. Need for a Local Attorney/Accountant

As a standard practice, legal counsel should be retained when engaging in business in Hungary. All legal work in Hungary must be completed by attorneys who are accredited to practice law in Hungary. Many contracts require notarization as well. Several leading U.S. law firms maintain representational offices in Hungary and provide a wide range of services for their clients. An experienced accounting firm should be consulted as well. Lists of accounting and law firms may be obtained from the U.S. Embassy's commercial and consular sections.

N. Performing Due Diligence/Checking Bona Fides of Banks/Agents/Customers

The Act on Credit Institution regulates the credit check procedure. Banks are required to be linked to the Inter-bank Debtor and Credit Information System (BAR), provided by BISZ Rt, which is a database built on central registration system. According to the law the system handles the credit data and contracts of both corporations and private individuals. Girodat Rt. provides credit reference services to subscribing credit institutions.

The following international firms provide financial and background information reports on companies based in Hungary: Dun & Bradstreet (Web Address: http://www.dbhun.hu), Intercredit Kft (Web Address: http://www.intercredit.at), and Creditreform Kft (Web Address: http://www.creditreform.hu)

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

A. Best Prospects for Non-Agricultural Goods and Services

1 - COMPUTERS AND PERIPHERALS (CPT)

With an IT market of USD 1.06 billion in 1999 and forecasts indicating ten percent annual increases to USD 1.2 billion for 2000 and USD 1.3 billion for 2001, Hungary can be considered the most developed IT market in the Central and Eastern European region. Hardware sales (50.6 percent) and software sales and services (49.4 percent) are practically equal components of the total IT market. In 1999, 113,521 personal computers (PCs) were sold and the market share of brand-named computers increased from 40 to 50 percent. Leading brand name suppliers (with market share) in 1999: Compaq (13.2 %), Dell (9.8 %), IBM (7.9%), Hewlett Packard (6.4%), Packard Bell NEC (5.2 %), Gateway (4.1%) and Apple (3.4%). In 1999, the share of black market sales was still considerable, accounting for as much as 30 percent of the total market. While U.S. firms are the market leaders in the Hungarian market, they compete with ICL, Olivetti, Bull, Siemens, Toshiba and Tulip.

In 1999, shipment of systems and servers increased to more than 9,800 units with a value of USD 100.5 million (excluding server add-ons). While Unix-based midrange systems continue to generate the largest share of server revenue (USD 34 million), Windows NT servers (USD 27 million) represent the platform of choice for multi-user applications. Market expansion is being driven by large projects in the government, banking and telecommunications sector as well as continued growth in the LAN server category fuelled by the country's small and medium sized business segments. The sales of data communications equipment amounted to USD 105 million in 1999, (a 34.2% increase over 1998), whereas a 10.8 % annual growth is forecast for 2000, and 7.7 % for 2001.

Hungary's IT market is expected to grow at an annual rate of 9.25 % in terms of value in 2001. Most vendor activity will be confined to the low end of the market, in particular to personal computers, PC servers, desktop software applications, peripherals and data communications. High growth rates are also projected for software and services.

No official statistics are available.

2 - INTERNET SERVICES

The estimated number of regular Internet users in Hungary is currently between 600,000-800,000 and may reach 1 million in 2000. According to a survey conducted by Carnation consulting in October 1999; 360,000 people have Internet access from schools, 236,000 are corporate and governmental users, and 221,000 are home and small office users (with an overlap of 104,000 this equals 713,000 users). While the number of private Internet subscribers is expected to grow by 50-70%, the number of business users doubles yearly. Obstacles to more rapid growth of Internet usage are the low number of PCs at home (9% penetration) and high phone tariffs. Therefore, the government plans to influence telecom and Internet service providers to decrease the costs of Internet usage. Regardless of the short-term outcome of these efforts, long-term prospects for the reduction of phone tariffs are positive due to the liberalizing effect of MATAV's (the Hungarian Telecommunications Co.) loss of monopoly on international and long distance calls which will take effect in January 2002.

About thirty Internet Service Providers (ISPs) offer access services to the approximately 110,000 dial-up subscribers and to corporate accounts through VSAT, ISDN or managed leased lines. Three major ISPs (MATAVNet, PSINet Elender, and GTS Datanet) cover 84 % of the market. Two of these have U.S. interests, PSINet Elender (30 % market share) and GTS Datanet (15 % market share). Two new entrants into the Hungarian ISP market are UUNet, which will start Internet services in early August 2000; and Planet Internet Service Provider Inc. (owned by KPN, the Dutch telecom company), which began service in June 2000. UUNet will also soon begin constructing an optical network between Budapest-Vienna and Budapest-Prague and will later extend its network to several Hungarian cities. Cable TV companies are also beginning to penetrate the Internet market. UPC, a provider of cable TV services to 530,000 households in Hungary, will enter the Hungarian ISP market in the second half of 2000.

To date, USD 10 million in venture capital has been invested into the Hungarian Internet sector with an expectation of 30-40% return on investment within two to four years. As Internet services and usage are still in the early stages of development in Hungary there is significant opportunity for U.S. companies across the entire range. Web content, website design, and website hosting offer excellent possibilities but commercial applications like advertising, auctions and transaction processing services are areas that are currently underdeveloped and likely to experience rapid growth in the next several years.

Business-to-Consumer (B2C) E-commerce

There are currently about 140 Hungarian companies selling their products over the Internet. In 1999, the estimated size of this type of commerce was HUF 160 million (USD 674,678) or less than one percent of total retail sales. The twenty largest virtual shops account for the majority of this turnover. Business-2-Consumer transactions are estimated to reach HUF 440 million (USD 1.85 million) in 2000; HUF 975 million (USD 4.1 million) in 2001; and HUF 2.2 billion (USD 9.3 million) in 2002.

Business-to-Business (B2B) E-commerce

B2B E-commerce is transacted almost exclusively through Electronic Data Interchange (EDI) systems. EDI was introduced in Hungary in 1996, by the end of 1999 there were 400 users, and in 2002 the number of EDI applications may reach 1,500. These are mainly in the retail, automotive, and Fast Moving Consumer Goods sectors. It is expected that over the next three years, Internet based solutions (WEB-EDI and Internet/ EDI systems) will obtain a larger share of B2B transactions.

Business-to-Business e-commerce in Hungary
(HUF billions 1 USD=237.15 HUF)

Application/year	2000	2001	2002
EDI	105.7	169.1	262.1
Web-EDI and Internet-EDI	10.6	16.9	62.9
Other web applications	2.1	6.2	13.8
Total	126.4	192.2	338.8

A consortium made up of MATAV (Hungarian Telecommunications Co.), OTP (the Hungarian National Savings Bank) and Compaq Computer Hungary Co. announced that it would establish Hungary's first B2B electronic marketplace (technology supplied by the U.S. company, Commerce One) before the end of 2000. The founders believe that within the first several months several hundred Hungarian companies could join this e-trading marketplace. Additionally, Global Group Purchase Program (owned by U.S. investors and consultants) will start an auction web page to improve business possibilities for Hungarian small- and medium-size companies.

No official statistics are available.

3 - TRAVEL/TOURISM SERVICES (TRA)

Tourism is a successful economic sector in Hungary with potential for further development. This is well illustrated by the fact that foreign exchange revenues in Hungary's tourism sector multiplied threefold between 1989 and 1999. Furthermore, experts estimate that nine percent of Hungary's GDP currently derives from tourism.

The Hungarian government has recognized the importance of providing incentives for the development of tourism and has guaranteed a priority role for the implementation of a modernization program in its most recent National Economic Plan. Objectives of the tourism development program include increasing the effectiveness of foreign tourism, strengthening domestic tourism, and improving the level of services. Establishment of conference centers and use of mineral water and hot springs for tourism purposes are of special priority. Opportunities for construction and development of these facilities will be offered through tender invitations announced by the government.

There is much to be done regarding the development of infrastructure and raising the level of standard services. Some areas of opportunity are:

- A boom in hotel renovation and building is expected, followed by the building of convention centers around the country. This is expected to occur primarily in cities where tourism background and attractions already exist (e.g. Eger, Pecs, Sopron, Debrecen, and Szekesfehervar).

- Building of a new city center will begin soon in southern Pest that will include hotels, a large (5,000 person) convention center, a National Theater, and office/retail space.

- Travel services will continue to grow. Some American travel companies currently operating in Hungary are American Express, Delta Airlines, Continental Airlines, Tradesco Tours, American International Group, Alamo Rent-a-Car, and Worldspan.

- A "Castle Program" to renew and utilize historical buildings in Hungary has been in effect for several years. One excellent example of the opportunity presented by this program is a castle hotel in the village of Paradsasvar – the first five star hotel in the Hungarian countryside.

- There is an increasing demand for golf parks and holiday villages, especially around Lake Balaton and other spa tourism destinations.

Although the Hungarian Department of Tourism welcomes foreign visitors to Budapest, it is interested in encouraging them to venture outside of the city to areas such as the Danube Bend, the Great Plain, and historical cities like Szekesfehervar, Veszprem, and Pecs. Therefore, opportunities will likely be found in the improvement of the full range of tourism services and in making them available nationwide.

Statistical figures are in USD millions. Exchange rate: USD1=237.15HUF

	1998	1999	2000
TOTAL SALES	2528	3534*	3711
SALES BY LOCALLY-OWNED ESTABLISHMENTS	1309	2120	2398
FOREIGN SALES BY LOCAL ESTABLISHMENTS	0	0	0
SALES BY FOREIGN-OWNED ESTABLISHMENTS	1220	1414	1313

IMPORTS FROM THE U.S.A.	192	257	297

* As of January 1999, the Central Statistical Office introduced a new system to measure the tourism revenues

Some of the statistics were provided by the Central Statistical Office; others are unofficial estimates.

4 - FRANCHISING (FRA)

Franchising is expected to play a key role in modernizing Hungary's service sector. The development of franchising, a relatively new concept in Hungary, could bring needed improvements in postal services, automotive products and services, property management, home maintenance, parking facilities, laundry services, passenger and cargo transportation, travel and tourism.

Hungary is an emerging market, open to competitively priced modern products/services. Therefore, despite its short history, franchising has developed rapidly in Hungary. The dynamic consumer market has engendered domestic Hungarian franchise entrepreneurs (e.g., "S" Modell (clothing), Happy Box (gifts), DIEGO (floor covers), Mr. Friss (bakery), as well as attracted foreign franchisors. However, due to the strong Western European presence in Hungary, it is advisable for U.S. franchisors to conduct test marketing prior to entering the market. Bringing in a new, high-end license or brand name requires significant cooperation between the American franchisor and the Hungarian future franchisee.

Fast-food establishments are the leading type of franchise in Hungary — McDonald's, Burger King, Wendy's, Pizza Hut, Kentucky Fried Chicken and Mr. Sandwich are well-represented with more than 100 restaurants mainly in Budapest. According to the Hungarian Franchise Association (HFA), the fast food market is close to saturation but the HFA sees additional room for franchisors in the service sector.

Other franchise sectors (and franchisors) include: hotels (Danubius Beta, Inn Side, MOL, Etap, Ibis, Mercure, Days Inn, Holiday Inn, Le Meridien); gas stations (Mol, Aral, Avanti, Shell); sportswear (Adidas, Lee, Levi Strauss); photo services (Kodak Express, Porst and Sooter's); real estate services (Dr. Stange); temporary personnel services (Manpower and Adia); and refinishing (Kadas).

The Hungarian Franchise Association estimates there are about 400 franchise systems present in Hungary, representing 3-4% of the retail sector (compared to 35-40% in the U.S.). Due to the strong economy, the share of franchise in retail may jump up to 10-12 percent in the next 4-5 years, the Association said. The work force employed by franchise is also far below the proportion found in developed economies. This is despite the fact that receptivity to foreign goods and services is good, particularly those of American origin.

One obstacle to the development of franchising in Hungary is the lack of personal capital or access to credit. Interest rates for business loans are still high and banks typically require collateral of up to 150% of the value of the loan. Although, the Hungarian Savings Bank has a special franchise loan package, its 15-30% interest rate is still comparatively high.

Because of high interest rates and limited access to capital, franchisors have to modify the typical American model to be successful in Hungary. For example, McDonald's, the most successful franchisor in Hungary, uses multiple franchising techniques in Hungary depending on the partner. In one, the company provides the fully constructed premises, and the franchisee supplies everything else (kitchen equipment, seating, signage, landscaping, inventory, etc.) In another, the partner buys or rents the unit as well, with rental costs being applied to purchase price.

Another franchising technique used frequently in Hungary 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.

Perhaps the best franchising models for the Hungarian market are home-based, lower capital franchises that focus on the well-educated, highly motivated Hungarians who already possess a natural inclination toward small-scale entrepreneurship but lack financing. Some examples of this type of franchise would include: car wash service, equipment/home maintenance, laundry and cleaning services, etc.

Statistical figures are in USD millions. Exchange rate: USD1=237.15 HUF

	1998	1999	2000
TOTAL SALES	694	745	820
SALES BY LOCALLY-OWNED ESTABLISHMENTS	416	373	410
FOREIGN SALES BY LOCAL ESTABLISHMENTS	0	0	0
SALES BY FOREIGN-OWNED ESTABLISHMENTS	277	373	410
IMPORTS FROM THE U.S.A.	138	187	205

The above statistics are unofficial estimates based on figures provided by the Central Statistical Office and Hungarian Franchise Association.

5 - COMBINED HEAT AND POWER GENERATION (CHP) AND OTHER DISTRICT-HEATING EQUIPMENT AND SERVICES (ELP, GSV)

As a result of in-depth market reforms that reshaped the Hungarian energy industry in the past decade Hungary has become one of the models of market-oriented energy sector restructuring in Central and Eastern Europe. Still, the transformation of the once wholly state-owned and centrally controlled energy system has not yet finished. Parallel with the most radical sector-privatization in the history of continental Europe, massive changes took place in the legislative and regulatory environment triggering a major influx of foreign working capital into the sector. Motivated by the directives of the European Union, and also under pressure from its own energy consumers, Hungary is now very close to adopting a truly liberal and competitive energy market model.

According to the current liberalization plan of the Ministry of Economic Affairs, fifteen percent of the internal power market (all consumers with above 100 GWh per year annual consumption) will be opened to free competition by the middle of 2001. A gradual natural gas market opening along with the power import liberalization is scheduled to be implemented sometime after that date, leading to full liberalization by the time of Hungary’s EU accession, currently forecasted for no sooner than

2005. As a result of the uncertainty caused by the deregulation process and the relative oversupply situation of the power market, industry experts do not foresee opportunities for new independent power projects in the coming five years.

However, the Hungarian District-Heating market offers unique opportunities for U.S. exporters of products and services. Over 650,000 homes and 150,000 home-equivalents-worth of communal users (mainly schools, public office buildings and hospitals) are connected to district heating in Hungary, the biggest market (with 245,000 homes connected) being in the capital, Budapest itself. Affecting over twenty percent of the population of the country, most of the obsolete district-heating systems need major technology and managerial upgrades. After four decades of state ownership, today most Hungarian district heating companies are municipally owned and operated. The municipal ownership structure, however, has not proven to be the most efficient way of operation either. After ten years of stagnation and deterioration of assets (resulting from lack of capital in their systems), more and more cities are now turning towards a market-type solution, or direct privatization to solve their district heating problems. There are already good working examples, where communities have sold long-term heat-supply concessions to strategic investors, who in exchange upgraded heat source facilities and operate systems at significantly higher efficiency levels than before. In turn, cities, reinvesting the savings thus generated, are able to upgrade the heat distribution and control systems on the consumer side, which result in significantly lower heating bills and a more efficient system overall. With upcoming municipal elections scheduled for late 2002, most mayors and municipal leaders see this issue as a question of key importance. One of the federal Government’s major energy restructuring programs is aimed at energy efficiency, proposing to support such developments with preferential loans and grants to the owners of district heating systems.

According to U.S. Embassy calculations and the estimates of the Association of Hungarian District Heating Companies, over USD60 million will be spent on new combined heat and power facilities, new gas engines, generators and control systems to be installed in the coming three years in Hungary. This estimate does not include the energy efficiency upgrades of the secondary side (distribution, heat centers, and home level controls) of heating systems.

The U.S. Trade and Development Agency, a U.S. Government Agency providing feasibility study grants for infrastructure projects in middle-income developing markets has recently decided to examine the local district heating markets of Hungary. For more detailed information on this market and the potential feasibility study grants please contact the Commercial Service’s Budapest office.

	USD millions. Exchange rate: USD1 = HUF 237.15.			
	1998	1999	2000	2001
TOTAL MARKET SIZE	45.7	60.6	97.4	134.6
TOTAL LOCAL PRODUCTION	9.2	12.2	19.4	27
TOTAL EXPORTS	0.5	0.6	1	1.4
TOTAL IMPORTS	37	49	79	109
IMPORTS FROM THE U.S.	9	11	17	34

The above statistics are unofficial estimates based on partial data from industry and Embassy estimates.

B. Best Prospects for Agricultural Products

1. SEED

		1,000 METRIC TONS		
		1999	2000	2001
A	TOTAL MARKET SIZE	300	300	300
B	TOTAL LOCAL PRODUCTION	410	400	350
C	TOTAL EXPORTS	60	40	38
D	TOTAL IMPORTS	13	14	15
E	IMPORTS FROM THE U.S.	3	3	4

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, field 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. Exporters should be aware that market limitations exist due to Hungary's tariff rate quota system. Hungary has had legislation governing the use, registration and imports of GMO materials. The first foreign GMO varieties had been approved for trials in spring, 1999.

2. SOYBEAN MEAL

		1,000 METRIC TONS		
		1999	2000	2001
A	TOTAL MARKET SIZE	700	700	700
B	TOTAL LOCAL PRODUCTION	14	15	15
C	TOTAL EXPORTS	0	0	0
D	TOTAL IMPORTS	682	685	685
E	IMPORTS FROM THE U.S.	10	10	20

Soybean meal: Hungary is a large producer and exporter of livestock and products. Annual consumption of soybean meal is about 700,000 metric tons. Hungarian importers have strong ties to South American soybean pellet exporters. However, the market is price sensitive; when American soybean meal is price competitive with South American pellets, Hungary will buy American.

3. BOVINE SEMEN

		USD MILLION		
		1999	2000	2001
A	TOTAL MARKET SIZE	9.00	8.50	8.00
B	TOTAL LOCAL PRODUCTION	7.60	7.50	7.20
C	TOTAL EXPORTS	0.40	0.50	0.50
D	TOTAL IMPORTS	1.20	1.20	1.30
E	IMPORTS FROM THE U.S.	0.90	0.90	1.00

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. Exporters should be aware that market limitations exist due to Hungary's tariff rate quota system. Since July 1, 2000 duty-free imports from the EU has made U.S. export particularly difficult.

4. POULTRY BREEDING STOCK

		USD MILLION		
		1999	2000	2001
A	TOTAL MARKET SIZE	80.00	75.00	80.00
B	TOTAL LOCAL PRODUCTION	74.00	70.00	72.00
C	TOTAL EXPORTS	9.00	8.80	9.00
D	TOTAL IMPORTS	9.50	9.00	9.00
E	IMPORTS FROM THE U.S.	2.00	1.80	2.00

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

5. DRIED FRUITS & NUTS (INC. PEANUTS)

		USD MILLION		
		1999	2000	2001
A	TOTAL MARKET SIZE	24.0	26.0	27.0
B	TOTAL LOCAL PRODUCTION	19.4	20.4	20.3
C	TOTAL EXPORTS	4.6	4.7	4.5
D	TOTAL IMPORTS	12.0	13.0	13.0
E	IMPORTS FROM THE U.S.	2.3	2.5	2.6

Hungary has well-developed sweets, confectionery and bakery industries. Household baking is also traditional. Consumption of dried fruits (including raisins) and nuts (including peanuts) increases. Industry looks for better quality and higher value added raw materials. This means better competitive positions for the more expensive U.S. products. Cheap developing country suppliers have well set market positions. Substantial part of U.S. imports are re-export from Germany, Austria or other West European countries.

6. BEEF

		1000 MT		
		1999	2000	2001
A	TOTAL MARKET SIZE	45.0	45.0	44.0
B	TOTAL LOCAL PRODUCTION	43.0	42.5	40.3
C	TOTAL EXPORTS	9.0	8.5	8.5
D	TOTAL IMPORTS	4.0	10.5	11.0
E	IMPORTS FROM THE U.S.	1.0	3.0	3.0

Low cattle numbers and live beef cattle exports results in absolute and quality beef shortages, in spite of low domestic consumption. Meat processors need imported beef and edible offals, hotels want high quality beef. Import tariffs, in general, are high but preferential tariffs under quota are available and may facilitate the imports of U.S. beef.

C. Significant Investment Opportunities

The National Development Plan (commonly referred to as the Szechenyi Plan) introduced by the Hungarian government in March 2000 outlines priority areas for investments by foreign investors, multinational companies and Hungarian institutions and private individuals. The key areas of investment opportunity are motorway construction, home building, tourism, and innovation enterprises.

Due to the government subsidized housing program, the number of new homes is expected to rise to 25,000 in 2000 from last year's 17,000. The quantitative objective of the housing program includes the construction of 35-40,000 new homes each year. The motorway construction plan will invest HUF 600 million for motorway construction between 2000 – 2006. Tourism is a successful economic sector in Hungary that has major potential for development. Objectives of the tourism development program in the Plan include improving the level of services, establishment of conference centers and use of mineral water and hot springs for tourism purposes. And the final area of major investment significance is the conscious channeling of foreign direct investments into environment friendly and knowledge-demanding sectors that generate greater added value. Such sectors include biotechnology, telecommunications and information technology.

Greenfield investments as well as equity investments in private companies remain excellent opportunities in Hungary. Although the majority of state-owned assets have already been privatized, among the approximately 210 companies in the majority or minority ownership of The Hungarian State Privatization and Holding Co. (APV), one can find opportunities in the energy, chemical, transport, agricultural, banking and real estate sectors. For example, in 2000 Hungary's formerly privatized flagship company, the Hungarian Oil and Gas Co (MOL), is selling all its non-core business units, including a full scale energy engineering firm, a hotel chain (including historical palaces), and a drilling company. In 1999, the Government entrusted APV with the sale and management of assets formerly held by other state organizations. The current tenders and privatization offerings of the APV are located on their website at http://www.apvrt.hu.

Venture capitalists have invested over USD10 million into the Hungarian Internet economy in a relatively short period of three-four years. Companies are looking for 30-40% rates of return and invest their funds for a 2-4 year period. As a result of this, consolidation of the internet consulting and development market has already started.

The government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly sixty percent of U.S. exports are sold by U.S. firms that have operations abroad. Recognizing the benefits that U.S. external investment brings to the U.S. economy, the government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty Negotiations and business facilitation programs that support U.S. investors. One such program specifically developed for Hungary is the Eastern Hungary Partnership Program (EHP Program) established as an U.S. Embassy program in 1998 and in summer 2000 converted to a non-governmental organization (NGO) jointly administered by the American Chamber of Commerce, the Government of Hungary and the U.S. Government.

VI. TRADE REGULATIONS AND STANDARDS

A. Trade Policies and Barriers

A founding member of the World Trade Organization (WTO), Hungary's reputation for free and unencumbered trade policies has improved significantly over the past years.

Import Quotas: In compliance with WTO rules, Hungary has, with few exceptions, already eliminated quotas on textiles, clothing, and other industrial products. Major product groups for which global import quotas remain in effect until January 1, 2001, include: new vehicles with an engine capacity smaller than 1500 cc, shoes, household cleaning products, and some jewelry. Quotas do, however, remain on imports of many consumer goods. The global quota on imports of medicine has been removed, although an import license is still required. (See section C below on Import Licenses).

Import Tariffs: Currently, Hungary's average most-favored-nation (MFN) duty rate is just under 7 percent. In contrast, tariffs for industrial products imported from the EU and CEFTA countries have been gradually abolished, and will be totally eliminated by 2001. (Hungary's trade agreement with the EU came into effect in February 1994 and with CEFTA in July 1994.) However, even these free trade agreements do not aim at complete exemption from duties on agrarian trade.

U.S. companies, particularly exporters, have at times raised concerns about the competitive impact of potential trade disparities between EU-origin and U.S.-origin goods. The U.S. Embassy, the U.S. Department of Commerce and the Office of the U.S. Trade Representative are currently reviewing the situation with respect to possible reverse preferences for EU products.

The Customs Law, passed in late 1995, eliminated duty-free importation of capital goods by foreign-owned companies, placing domestic investors on an equal footing with non-Hungarian investors.

One of the most important developments influencing trade between the EU and Hungary has been the Pan-European Cumulation System (PECS), comprising a set of EU bilateral agreements, which aims to harmonize standards and rules-of-origin laws between the EU, EFTA, CEFTA, and other countries on the periphery such as the Baltic States (a total of 29 countries). The Government of Hungary joined the PECS on December 28, 1996, with an effective date of July 1, 1997. Under the PECS, companies that import inputs from outside the cumulation area must pay duty in order to take advantage of free-trade preferences when exporting their finished goods to PECS countries. If, on the other hand, the importer opts to receive a duty drawback (credit for duty paid when the input is imported), eligibility for preferences is lost and the finished product must be exported on the standard MFN basis. A partial duty drawback remains in effect through 2001, according to which credit can be provided for duties paid over 5% in the case of industrial products, and over 10% in the case of textiles.

Hungary's trade agreements with the EU, EFTA, and CEFTA member states set the rate of local content required for industrial products to qualify for preferential treatment in re-exporting to EU countries. The exact percentage varies according to the product in question, with 50-60% a very broad rule of thumb.

Non-tariff barriers in Hungary may at times include a relative lack of transparency with respect to the creation and application of laws and regulations. Furthermore, the absence of a prior notice or review period often leaves companies with little opportunity to influence the outcome or plan ahead. Several government procurements have resulted in unsuccessful tenders, been challenged in court for technical violations, or prompted complaints that they were politicized.

B. Customs Valuation

Customs Valuation is on an ad valorem basis. Customs debt comprises the customs duty assessed, the general turnover tax (VAT) - usually 25 percent of value, eventual consumption and excise tax, and any miscellaneous fees such as road fund contributions and/or green taxes, if applicable. The customs debt is due and payable within 5 business days following notification thereof. A permit for deferred payment of customs duty may be granted by the central customs agency for applicants that are considered to be reliable for customs purposes. Deferred payment allows settlement of the customs debt within 15 business days after the due date.

As a consequence of the modification of the Customs Law, effective July 1, 2000, companies may apply for a license to carry out simplified customs procedures. License holders have the option to make a customs declaration with an incomplete or a substitute document (even electronically), or have customs clearing on the spot if the license holder starts customs processing without the involvement of a customs officer. The supplementary declaration must be submitted to the accounting customs office within 10 days. This procedure provides practically another 10 days of deferred payment of the customs debt.

Also, importers may inquire to the Hungarian customs authorities in advance for customs tariff classification of the products they intend to bring to Hungary. After January 1, 2001 the National Headquarters of Hungarian Customs and Financial Authority (VPOP) accepts written inquiries to the following address:
Vam - es Penzugy orseg Vegyvizsgalo Intezete,
Budapest, 16th District,
Hosok fasora 20-22. (Galgaheviz u. 19.)
Phone: (36-1) 403-0414.

The Hungarian Customs Tariffs Book is also electronically available in English at http://www.vamszoft.hu. A hard copy (in Hungarian only) can be ordered for HUF 5000 (about USD 18) from West End Co. Ltd. At the following fax numbers: (36 1) 349-5795 or 239-7708.

C. Import Licenses

An estimated 95 percent of products no longer require an import license; however licenses are still required for some goods including automobiles, textiles, clothing and shoes. Products which are typically controlled in the United States and other western countries such as arms/ammunition, military equipment, hazardous materials, materials for biological weapons, psychotropic products, nuclear products and uranium ore are similarly controlled in Hungary. A list of products that require import licenses can be found on the Ministry of Economic Affairs homepage in English at www.gm.hu/english in the foreign relations section.

D. Export Controls

Most high-tech western technology can flow to Hungary without export licenses. However, some equipment still requires export licenses. Depending on the product, export licenses may be issued from U.S. Department of Commerce's Bureau of Export Administration, the Department of State or the Department of Defense. As licensing can be a lengthy process, U.S. firms should ensure that they do not make delivery commitments until the export license has been approved.

E. Import/Export Documentation Requirements

All importers and exporters must file a Unified Customs Declaration, which can be obtained from Hungarian Customs. Essentially, this document serves as a declaration for the type and number of goods being imported or exported. This document must contain the Harmonized Tariff Number, which identifies the classification of the goods.

For consumer distribution, the importer must have a certification document from the Commercial Quality Control Institute (KERMI, www.kermi.hu) or in the case of electronic/technical goods from the Hungarian Electro-technical Control Institute (MEEI, www.meei.hu/en). Goods cannot be custom-cleared without the KERMI or MEEI permits. Other products destined for industrial production, such as raw materials, will need a waiver of certification. With reference to certain consumer products, KERMI may permit documentation from other testing and certification agencies such as the National Institute for Drugs and the Quality Control Office of the Building Industry.

F. Temporary Entry

Customs goods intended for temporary use, presentation (international fair, exhibition or other similar international event; concert, sports event, tender) or testing under the obligation to return are customs cleared in temporary importation. The deadline of return is 24 months unless an international agreement states otherwise. The deadline of return (if not maximized) can be extended on request. Temporary importation is subject to license; customs debt is imposed but not payable. Customs goods cleared through customs in temporary importation may be sold in Hungary or transferred to the use of a third party or rented or given on a lease only after the payment of the customs debt. If customs clearance is effected on the basis of a lease contract or a lending for use contract, two percent of the customs debt imposed for each commenced month of temporary importation and reduced by the amount of VAT and excise tax shall be paid on return of the goods within the deadline of return; however after 50 months, total customs debt has to be paid.

G. Labeling, Marking Requirements

Strict rules apply to labeling and marking of food, cosmetic and household products. The rules apply to both domestic and imported products. The primary requirement for food is that labeling information must be in Hungarian. The label must give the following information: net quantity, name/address of producer (or importer), consumption expiration date, recommended storage temperature, listing of ingredients/ additives, energy content and approval symbols from the National Institute of Food Hygiene and Nutrition (OETI) and/or the Commercial Quality Testing Institute (KERMI).

National Institute of Food Hygiene and Nutrition (OETI)
H1476 Budapest
Gyali ut 3/A POB 52

Tel: (36 1) 215-4130
Fax: (36 1) 215-1545

Commercial Quality Testing Institute (KERMI)
Managing Director: Janos Peterfi
1088 Budapest
Jozsef krt. 6
Tel/Fax: (36 1) 318-8284
Web Address: www.kermi.hu

Cosmetics, which are regulated by OETI, should indicate: product denomination, function, handling (precautionary) instructions, production date, utilization expiration date, quantity of product, producer/ importer information. There are specific marking and labeling requirements for human and animal pharmaceuticals.

H. Prohibited Imports

According to section 186/a 1994 of the Hungarian Gazette, Hungary does not prohibit the importation of any product. However, special permits are required for the importation of such items as endangered species, plants, environmentally hazardous products, and certain drugs.

I. Standards

The Protocol to the Europe Agreements on Conformity Assessment and Acceptance of Products (PECA) was initialed on July 10, 2000 by Hungary and the European Union and will enter into force on January 1, 2001. On the basis of this mutual recognition agreement each market accepts testing by each other's testing bodies. The agreement affects products of seven industry sectors (machinery, gas appliances, equipment operating in an environment with danger of explosion, human pharmaceuticals, hot water boilers, and medical devices). The U.S. - E.U. mutual recognition agreement does not extend to the PECA countries. Therefore, manufacturers from the United States must have their CE-marked product tested and certified by the relevant institute in Hungary prior to initial entry into Hungary.

These institute are as follows:

For machinery, electrical appliances:
Magyar Elektrotechnikai Ellenorzo Intezet (MEEI)
Hungarian Institute for Testing & Certification of Electrical Equipment
Mr. Andras Vincze, Head of Certification Department
Vaci ut 48/a-b.
1132 Budapest
Tel: (36-1) 350-2311 Fax: (36 1) 329-0684
E-mail: certif@meei.hu
Web Address: www.meei.hu

For medical devices:
National Institute for Medical Engineering (ORKI)

Mr Csaba Nagy, Director General
Diosarok utca 3
1125 Budapest, Hungary
Tel: (36 1) 356 1522 Fax: (36 1) 375 7253
Web Address: www.orki.hu

For Pharmaceuticals:
National Institute Of Pharmacy (OGYI)
Dr Tamas Paal, Director General
Zrinyi utca 3
1051 Budapest, Hungary
Tel: (36 1) 317 1462 and 317 1488 Fax: (36 1) 318 1167
Web Address: www.ogyi.hu

For gas appliances, boilers, and appliances operating in an environment with danger of explosion:
Technical Safety Testing and Certifying Institute (MBVTI)
Logodi u. 38-40.
H-1012 Budapest
(Mail: H-1255 Budapest POB 39)
Dr. Karoly Zentai, Managing Director
Mr. Viktor Janki, Head of Certification Dept.
Tel: (36-1) 212 3032 Fax: (36-1) 375 4130
E-mail: mbvti@mail.matav.hu

There are currently two types of standards: national and sectoral. National standards are issued by the Hungarian Standard Office and conform to international norms. Hungary is a signatory to the GATT Agreement on Technical Barriers to Trade (Standards Code) and its successor, the WTO. Hungary is also a participant in the International Standardization Organization (ISO) and the International Electrotechnical Commission (IEC). Sectoral standards are issued by individual ministries and other central government agencies.

J. Free Trade Zones/Warehouses

In Hungary there are no specific areas delineated as duty-free zones. The land area of any enterprise or that of plants already existing or under construction can be declared a duty-free zone by customs authorities. Such zones are especially attractive to companies contemplating exporting significant quantities of finished or semi-finished products where all or most of the raw materials must be imported. However, Hungary's duty-free zone policy will be reviewed and subject to change as they prepare for accession to the EU.

One of the largest free-trade zone concentrations is located at Szekesfehervar, where subsidiaries of Ford Motor Co., Philips Electronics, IBM, Loranger, and Alcoa are located.

K. Membership in Free Trade Arrangements

European Union (EU)

Hungary has concluded a number of preferential trade agreements, including the Europe Agreement between Hungary and the European Communities and their Member States (December 1991). In June 1993, the EU agreed to accelerate the agreement's provisions and reaffirmed its commitment to Hungary's full membership. The free trade provisions entered into force in January 1994. Although there is no real opposition, either internally or externally, for Hungary's membership in the EU, timing is uncertain. Membership is not expected before 2005.

Central European Free Trade Agreement (CEFTA)
Hungary is a party to CEFTA, along with Poland, Czech Republic, Slovakia, Slovenia, Bulgaria and Romania. About 90 percent of all industrial products are currently traded free of duty between members under the Agreement. Hungary's trade with CEFTA countries accounts for approximately 10% of the country's total trade.

European Free Trade Association (EFTA)
In July 1993 Hungary concluded a free trade agreement with the European Free Trade Association countries (Switzerland, Liechtenstein, Iceland and Norway). This agreement was modeled after the EU accords and eliminated trade barriers for Hungarian goods that entered the EFTA countries by 1997 and will eliminate barriers for EFTA imports by 2001.

Pan-European Cumulation System (PECS)
In July 1997, Hungary acceded to the Pan-European Cumulation System. Comprised of 29 countries, mostly EU-, CEFTA- and EFTA-member countries plus the Baltic states, the system imposes certificate-of-origin rules on member countries governing qualification for preferential trading status. (See section VI. B above).

VII. INVESTMENT CLIMATE

A1. Openness to Foreign Investment

Hungary attracted over USD 23 billion in foreign direct investment (FDI) from 1989 to 2000. Hungary received almost one-third of all FDI invested in Central and Eastern Europe during this period. In 1999, USD 1.5 billion in FDI flowed into the country, a pace that is expected to continue in the medium term. The U.S. continues to be one of Hungary's largest overall investors, with more than USD 7 billion invested, and a number of U.S. companies have expanded operations in Hungary through reinvestment. The current environment in Hungary encourages foreign investment and participation in virtually all aspects of the private economy. As a result, by the end of 1999, over 22,000 foreign companies had established operations in Hungary.

FDI in Hungary was jump-started by the extensive cash privatization of state assets to foreign strategic investors. The most recent Privatization Act (June 1995) and a later amendment (February 1997) accelerated privatization and made it more transparent. The Hungarian State Privatization and Holding Company (APV) manages and sells state-owned properties, with Ministry of Finance approval on banking sector issues. State ownership consists of three components: (1) small minority share holdings that will eventually be sold; (2) "golden shares" in 27 important companies (these give the GOH an advisory role and veto power on major management decisions, but no influence on day-to-day operations); and (3) majority ownership in 44 firms for which privatization decisions are yet to be made. Sixty percent of these are small firms concentrated in specialized sectors, such as regional bus companies, and will likely be sold within the next ten years.

FDI is concentrated in Western Hungary and in Budapest, due to more developed infrastructure and proximity to the European Union border. However, eastern Hungary offers a well-trained workforce and a long tradition of industry, agriculture, and research. There are also special incentives for doing business in eastern Hungary.

Foreign investment in Hungary typically takes one of four forms: establishing a new (greenfield) business; entering into a joint venture; obtaining equity in a state enterprise through privatization; making a portfolio investment or participating in a capital increase.

Local subsidiaries are typically incorporated as a limited liability company (known by its Hungarian abbreviation Kft). Other commonly used forms are joint stock companies (abbr. Rt.), joint ventures, business associations, general and limited partnerships, and sole proprietorships. Many foreign companies operate through representative offices, and establishing branches has become easier under the revised Branching Act, effective January 1998.

Amended Act 1988/24 on Investments of Foreigners in Hungary (the "Investment Act") governs the establishment and operations of companies with foreign participation, and grants significant rights and benefits to foreign investors. It guarantees national treatment for foreign investments and abolishes the general requirement of GOH approval. It also provides protection against losses resulting from nationalization, expropriation, or similar measures, and guarantees free repatriation of invested capital and dividends.

Foreign ownership up to 100 percent is permitted with the exception of designated "strategic" holdings, some defense-related industries, and the national airline Malev (international agreements require a minimum of 50 percent national ownership in order to qualify as a national carrier). Since July 1996, government approval is not needed for foreigners to invest in financial institutions and insurance (only official notification). As of January 1, 1998, foreign financial institutions may operate branches and conduct cross-border financial services, in keeping with Hungary's commitments at the time of its OECD accession in May 1996.

Foreign-owned companies that are Hungarian legal entities may acquire real estate, with the exception of agricultural land. Under the Investment Act, a company incorporated in Hungary may only acquire real estate "required for its economic activities," however this has not prevented U.S. and other foreign entrepreneurs from engaging in property development. The Land Law (1994/4) 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 Hungarian citizens can purchase arable land at present. Land prices in Hungary are one-tenth to one-twentieth of western European prices. Fears about land speculation have prevented any movement on this issue, and no changes are expected until EU accession at the earliest. Hungary is currently negotiating with the EU for a 10-year derogation on foreign ownership of agricultural land. Certain restrictions that do not discriminate on the basis of nationality are being considered by the GOH.

A2. Conversion and Transfer Policies

The Hungarian forint (HUF) became convertible for essentially all business transactions within Hungary on January 1, 1996. Hungary complies with IMF Article VIII and all OECD convertibility requirements. As of July 2000, one USD equaled approximately HUF 275. The forint is not actively traded outside Hungary, but futures markets in Budapest allow investors to hedge exchange risk against the USD, Euro, Pound sterling, Japanese yen, Czech koruna and Swiss frank. Since January 1, 2000, the forint exchange rate has been managed via a "crawling peg" to the Euro. Before that, it had been pegged to a basket composed of Euros (70 percent) and USD (30 percent). Currently this crawling peg is set at the rate of 0.3 percent per month. The GOH plans to eliminate the crawling peg next year if the inflation rate falls below the rate of GDP growth, currently about 5.5 percent.

The Investment Act guarantees foreigners the right to repatriate "in the currency of the investment" any dividends, after-tax profits, royalties, fees, or other income deriving from the operation or sale of the investment. The Act also grants the foreign employees of a foreign investment the right to transfer all of their after-tax salaries. There are no onerous foreign exchange requirements, and there are no reported instances of delay in repatriations.

The GOH has gradually eliminated nearly all restrictions on long-term capital account transactions. As of January 1, 1998, restrictions were eliminated on (a) non-resident purchase of collective investment securities to open-ended investment funds, (b) resident firm acceptance of foreign credits or loans in excess of USD 50 million, (c) resident firm loan payments abroad, (d) resident persons borrowing abroad, and (e) resident investments in instruments of OECD-based issuers of less than investment grade. Restrictions remain on non-resident investments in instruments with less than one-year maturity.

Foreign investors may keep export receipts and other cash contributions in convertible currencies in a foreign exchange account. A company may use these funds to import, duty-free in some circumstances, goods considered as part of the investment. Alternatively, it may import goods using foreign exchange bought in HUF.

In 1999 the Hungarian National Bank recorded capital outflow of USD 249 million. Outflows have increased consistently since the early 1990s, reflecting the liberalization of capital controls. Capital outflow peaked in 1998 due to the repatriation of the profits of some earlier investments but in 1999 capital outflow dropped due to the improving investment climate.

A3. Expropriation and Compensation

There have been no substantial expropriations of foreign-owned assets since the initial Communist takeover in 1945, but claims from that initial period have arisen since 1989. Following the change of regime in 1990, the GOH began a compensation program for persons who lost property under the Fascist and Communist regimes. These Hungarians and foreign citizens were eligible to receive compensation coupons that could be sold or exchanged for privatized shares, real estate or annuities. Many of these coupons are still in circulation, but have lost much of their original value.

In April 1997, Parliament passed a Jewish Compensation Act that returns property stolen from Jewish victims of Nazism and Communism. Under this law, some property, as well as monetary compensation, was turned over to the Jewish Public Heritage Foundation and Jewish victims of the Holocaust.

A4. Dispute Settlement

Hungary will accept binding international arbitration in cases where the resolution of disputes between foreign investors and the state is unsuccessful. Hungary is a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention. It is also a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

A5. Performance Requirements/Incentives

Because of EU anti-discrimination rules adopted by Hungary, there are no "foreign investment" incentives per se. All incentives are available to any investor, regardless of nationality, who meets the stated criteria. Incentives are generally not available to foreign firms registered abroad, however all enterprises registered in Hungary are eligible for support regardless of ownership. This includes 100 percent foreign-owned subsidiaries registered in Hungary.

There are no GOH-imposed conditions for establishing, maintaining, or expanding an investment. Hungary's Corporate Tax Act provides for a ten-year, 100 percent corporate tax holiday for all large investments (more than HUF 10 billion/USD 42M or HUF 3 billion/USD 12.6 million in designated underdeveloped areas). This allowance is currently valid until the 2011 tax year, which means that investments made after 2001 may not enjoy the full ten-year tax holiday. This incentive exempts the company from Hungary's 18 percent corporate tax. After the first year, the incentive is contingent upon the employment of 500 workers more than the average number employed by the company in Hungary prior to the investment (100 persons in underdeveloped zones). The average tax rate in 1998 for the just-over 1000 large companies (over 250 workers) in Hungary, 478 of that are wholly or partially foreign-owned, was 6.7 percent.

Additional incentives include five-year, 100 percent corporate tax holidays for investments in areas of high unemployment and designated "entrepreneurial zones;" tax benefits equal to six percent of the value of construction and machinery investment; five year, 50 percent corporate tax allowances for investments of over HUF 1 billion (USD 4.2 million) that result in a 25 percent increase in revenues over the prior year (minimum HUF 600 million increase); National Technology Development Board high technology investment support of HUF 40 million (USD 169M) for projects that can be realized within three years; and the Central Environment Assistance Program support for environmental investments in the form of grants, interest-free or subsidized loans, loan guarantees, and interest support.

Regional incentives in the form of provincial development funds are available according to 1996/21 in all of Hungary's 19 counties as long as the supported project creates at least 100 jobs. The incentive may take the form of a grant, loan, or interest support, and all allocations are used strictly for greenfield investment projects. Applications can be made through the local development council in each county.

Small and medium-sized enterprise (SME) incentives are available for foreign-owned firms that are registered in Hungary, in the form of interest support for capacity-increasing investments. The company must have fewer than 250 employees, HUF 4 billion USD 16.9 million) in annual revenues and HUF 2.7 billion USD 11.4 million) in total assets.

The SME investment credit program supports investments in land, buildings, vehicles, machinery and equipment, and is available to companies with a maximum of 500 employees. The SME incentives take a variety of forms with different objectives. For example, loans of up to HUF 80 million (USD 337 million) are available on SME investments resulting in 50 percent overall energy savings. Additional incentives include (a) sectoral support for tourism and agriculture, (b) employment incentives including wage support (for 300 workers or more), training subsidies, wage subsidies, social security cost reimbursement, and commuting expenses, (c) export credit subsidies of up to 50 percent of interest expense, (d) customs-free zones, (e) subsidies for export promotion activities, and (f) SME support for certification under international standards (ISO, QS). Incentives are subject to change, and some are limited by fiscal allocations.

The Hungarian Investment and Trade Development Agency (ITDH) can provide information and other support. In June 1999, the ITDH and the U.S. Department of Commerce signed an agreement to improve support for U.S. trade and investment. Both the Ministry of Economic Affairs and the Ministry of Foreign Affairs oversee the ITDH.

In the fall of 1998, U.S. Ambassador to Hungary Peter Tufo launched the "U.S.-Eastern Hungary Partnership Initiative," (US/EHP) to target that part of the country which suffers from high unemployment and under-investment. Under this pilot program, the Embassy opened commercial offices in the cities of Debrecen, Miskolc, and Nyiregyhaza. This partnership program has attracted U.S. and Hungarian companies to the U.S. Department of Commerce channels for trade development via a dedicated website at www.invest-ehu.com. The offices have attracted investment of nearly USD 400 million during their first 18 months of operation and the facilities created will eventually employ over 9000 workers. In its second year, the U.S./EHP continues to expand its trade and investment promotion activities, now as a foundation that is jointly supported by the GOH.

A6. Right to Private Ownership and Establishment

The Hungarian constitution guarantees the right to private ownership and provides other related guarantees. 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 private entities to freely establish, acquire, and dispose of interests in business enterprises.

Private enterprises enjoy competitive equality in markets, business licenses, supplies, and credit access. In 1998, about 80 percent of Hungary's GDP was reportedly produced by the private sector, a remarkable turnaround from 1990 when the private sector accounted for less than 25 percent of economic output.

Registering a company in Hungary has become easier since the amended Companies Act came into force in June 1998. It compels registry courts to process applications to register limited liability (Kft.) and joint-stock (Rt.) companies within 30 days (60 days for unincorporated business entities). After this period, if the registry court does not act, the new company is automatically registered. The Act eliminates the need for separate registrations at the tax and social security authorities; a single registration will suffice. The Act also increased the minimum capital requirements for limited-liability companies from HUF 1 million to HUF 3 million and joint-stock companies from HUF 10 million to HUF 20 million, effective June 16, 2000, the first such increase since 1989.

Bankruptcy laws are strict. 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 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: 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 the 12 months prior to the bankruptcy.

A7. Protection of Property Rights

The Hungarian constitution and legal system provide strong protection for owners of real property, and protection of intellectual property rights (IPR) has been strengthened, but needs further improvement. The United States and Hungary signed a comprehensive Bilateral Intellectual Property Rights Agreement in 1993 that addresses copyright, trademarks and patent protection. The U.S. government tracks enforcement by the GOH on a regular basis to ensure compliance. In April 1999 and again in April 2000, Hungary was placed on the “Watch List” of the Special 301 review, which cited U.S. industry concerns over copyright infringement and other regulatory issues. Hungary was required to be in full compliance with the WTO’s Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement as of January 1, 2000. A new Copyright Law was passed in June 1999, fulfilling part of the requirement for TRIPS compliance. Hungary now must adopt regulations that provide adequate protection for proprietary data that pharmaceutical firms submit to GOH regulatory authorities.

The industrial property and copyright legislation in effect since July 1, 1994, extends patent protection for products (previously, Hungary issued only process patents), defines who controls the rights to works, extends and unifies the terms of protection, provides the legal means to prevent proprietary information from being disclosed or acquired without the consent of the trade secret owner by other than “honest commercial practices,” and ensures that enforcement procedures are available under civil, criminal or administrative law to permit effective action against IPR infringement.

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 conferrable (contract rights), and recognizes an exclusive right to authorize the first public distribution, including importation, 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.

The application process for a patent can take from six months to one year. Under the revised Patent Act, effective January 1, 1996, patentable inventions are those which are novel and capable of industrial application. The term of the patent is 20 years from the filing date. A six-month grace period was adopted and the disclosure of an invention in breach of confidence is disregarded when considering the novelty of an invention. The Patent Act also includes the principle of exhaustion of rights, a provision concerning compulsory licensing of patents, and a number of procedural modifications. The law conforms to the guidelines of the European Patent Convention. 1991/39 protects the topography (layout design) of semiconductor chips.

A8. Transparency of the Regulatory System

Most Hungarian business regulations, including competition laws, conform to EU regulations. However, a lack of regulatory and legal transparency is a common complaint of U.S. companies doing business in Hungary. A number of interest representation organizations actively advocate on behalf of foreign investors in favor of increased transparency, including Hungary's American Chamber of Commerce.

Some employers complain that social security and unemployment contributions are too high and that tax compliance is costly. The GOH reduced social security contributions paid by the employer by three percent in 1999 (down to 33%), and intends to cut it by the same amount again in 2001. Hungary has high individual income taxes, but the highest bracket was reduced from 48 to 43 percent in January 1997. In 2000, the highest tax bracket is 40 percent and it applies to all income above HUF 1 million (USD 4217, slightly higher than the average Hungarian salary). Corporate tax is low at 18 percent. Hungary and the United States have a double taxation treaty that reduces some income and corporate tax obligations for U.S. taxpayers.

Companies pay a value-added tax (VAT) of up to 25 percent on many business expenses, but can only reclaim VAT payments made on products or services that are in turn VAT-taxable within Hungary. Delays in processing VAT refunds pose a problem for foreign companies in some sectors.

Foreign companies operating in price-regulated sectors, such as energy and pharmaceuticals, have complained about profit losses due to GOH delays in adjusting prices upward to reflect world market prices, inflation, and the devaluation of the forint. Some energy producers are unable to realize the eight- percent returns stipulated in their contracts with the GOH. MOL, the privatized energy company, was allowed a 12 percent increase on its natural gas price, effective July 1, 2000. This did not meet MOL's request to bring the price into line with world market prices, and MOL continues to lose money on its natural gas division. International pharmaceutical companies announced an average 8.5 percent price hike across the board for July 1, 2000, but this was disallowed by the GOH, prices were frozen, and negotiations began between the Ministry of Health and the pharmaceutical producers.

A9. Efficient Capital Markets and Portfolio Investment

Hungary attracted USD 1.202 billion of net portfolio investment in 1999. Hungary's banking system has gone through a remarkable transformation in recent years from money-losing state-owned monoliths to private institutions and the strong presence of foreign financial enterprises. The vast majority of Hungary's banks are fully or partially foreign-owned.

Hungary implemented a major bank reform in 1987, creating a two-tiered system by separating commercial banking from the National Bank of Hungary (MNB). However, the state-owned banking sector remained highly concentrated. From the early 1990s to 1995, the GOH gave over USD 4 billion in subsidies to state-owned banks to cover bad loans and prepare them for privatization. Hungarian bank privatization began in 1994. In 1995, the GOH forced the merger or liquidation of small loss-making banks, and began to sell off the larger banks. Postabank's troubled portfolio required a GOH takeover and bailout in 1998. In 1999, several banks suffered significant losses and a consolidation process began in the sector with some acquisitions and mergers of foreign affiliates.

The five largest banks in Hungary in 1999, by total assets, were:

1. OTP-National Savings and Commercial Bank	USD 6.9 B
2. MKB-Hungarian Foreign Commercial Bank	USD 2.5 B
3. K and H - Commercial and Credit Bank	USD 2.0 B
4. CIB Bank	USD 1.7 B
5. ABN Amro Bank	USD 1.6 B
Total:	USD 14.7 B

Capital is readily available for businesses, due in part to greater foreign presence, falling interest rates, and greater competition. Lending rates, however, remain prohibitively high for Hungarian SMEs, as much as 10-15 percent over current (decelerating) inflation rates. Foreigners have greater access to capital outside the country, and at better rates than those available in Hungary. As a result, the number of foreign banking subsidiaries has grown and they have won many of the most attractive clients. Foreign investors have equal access to credit on the local market, with two exceptions: (1) special governmental credit concessions, such as small business loans, and (2) loans by international financial institutions available only to Hungarian businesses.

The Credit Institutions and Financial Businesses Act (1996/62) secured the safe operation of the financial sector, harmonized Hungarian banking laws with EU standards, and introduced universal banking.

Foreigners do not need GOH approval to establish bank subsidiaries or acquire stakes in existing banks. Foreign or Hungarian credit institutions, insurance institutions, and investment companies may own up to 100 percent of a financial institution in Hungary. However, the upper limit for a single owner (foreign or Hungarian) not falling into one of the above categories is 15 percent, stricter than EU norms. Since January 1998, foreign banks can establish branches in Hungary offering cross-border financial services.

Foreign-owned subsidiaries often have a competitive edge over Hungarian banks in customer service, although Hungarian banks have recently been able to develop and to promote retail instruments to service their clients. Hungary's retail sector is still largely a cash-based economy and checks are not generally used, although ATM machines are widespread (it is estimated that there are 3.8 million bankcards in use nationwide). Although bank and credit card transactions make up only three percent of Hungary's retail trade sales, credit card use is becoming more common, particularly in Budapest, and there are over 1.3 million Visa cards in Hungary. Bankcard fraud was reduced by 60 percent in 1999, dropping Hungary from sixth to fourteenth place on the list of European countries for this problem. Many institutions already conduct network banking through the Giro credit transfer system.

The Budapest Stock Exchange (BSE), the first of the former socialist Central and Eastern European exchanges to reopen, was formally reestablished in 1990. The Offering of Securities, Investment Services and the Securities Exchange Act (1996/61) and the Securities and the Stock Exchange Act (1990/

6) govern the public issuance and trading of bonds, shares and other securities. The BSE has 49 members, which are licensed-broker or broker-dealer companies, including several U.S.-based firms. As of June 30, 2000, the total BSE market capitalization was USD 27.3 billion.

Foreign investors can buy any forint-dominated GOH bonds with maturities of 12 months or longer, either directly from the GOH or on the secondary market. However, bonds of less than 12 months duration may not be available for foreign purchase. As of January 1, 2000, foreign investment funds can establish offices in Hungary in order to attract additional Hungarian investors.

A10. Political Violence

Violence is not part of the traditional political landscape in Hungary. The transition from communism to democracy was negotiated and peaceful, and three peaceful changes of government via the ballot box have followed. There is little cause to expect insurrections, political terrorism, or interstate war. The Kosovo conflict, which began only days after Hungary's accession to NATO, did not result in any conflict within Hungarian territory, despite its front-line status. There has been no violence directed against foreign-owned companies.

A11. Corruption

Corruption is not pervasive or institutional within the GOH, although some foreign companies have complained about incidents of corruption or illicit influence in government administration. Taking bribes is a criminal offense, and media scrutiny is high. Hungary signed the OECD Anti-Bribery Convention in December 1997, and incorporated its provisions into the penal code effective May 1, 1999. The OECD has now called on Hungary to introduce even more effective legislation against bribery. The Ministry of Justice has agreed to incorporate recent OECD recommendations into the penal code, which will be amended in 2001 in anticipation of EU accession.

The Hungarian Parliament passed conflict of interest legislation in early 1997 that prohibits members of Parliament from serving as executives of state-owned companies.

B. Bilateral Investment Agreements

Hungary and the United States do not have a Bilateral Investment Treaty (BIT), nor are the two countries currently in negotiations for a BIT. However, Hungary does have a bilateral investment agreement with the United States. As members of the OECD and WTO, both countries have been active participants in the negotiations on a multilateral investment agreement.

Hungary has bilateral investment agreements with the following countries: Albania, Argentina, Australia, Austria, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Great Britain, Greece, Holland, Indonesia, Israel, Kazakhstan, Kuwait, Luxembourg, Malaysia, Moldova, Norway, Paraguay, Poland, Portugal, Romania, Russia, Singapore Slovakia, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United States, Uruguay and Vietnam.

Hungary has tax agreements with the United States and with the following countries: Albania, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, the Former Yugoslavia, France, Germany, Great Britain, Greece, Holland, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Kuwait, Luxembourg, Malaysia, Malta, Moldova, Mongolia, Norway, Italy, Pakistan, Poland, Romania, Russia, Singapore, Slovakia, South Korea, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Tunisia, Ukraine, Uruguay and Vietnam.

C. OPIC and Other Investment Insurance Programs

The U.S. Overseas Private Investment Corporation (OPIC) has been operational in Hungary since October 1989. OPIC offers U.S. investors insurance against political risk, expropriation of assets, damages due to political violence, and currency inconvertibility. It can also provide specialized insurance coverage for certain contracting, exporting, licensing, and leasing transactions undertaken by U.S. investors in Hungary.

Political risk insurance is available for foreign-owned companies in Hungary from several private carriers in the United States and Western Europe, and also from the Multilateral Investment Guarantee Agency (MIGA), a World Bank affiliate. The National Bank of Hungary, for a fee, will guarantee the Hungarian Investment Act’s commitments to foreign-owned companies regarding expropriation and profit repatriation.

D. Labor

Hungary’s civilian labor force of 4 million persons is highly educated and skilled. The literacy rate in Hungary exceeds 98 percent and about two-thirds of the work force has completed some form of secondary, technical, or vocational education. Hungary is particularly strong in engineering, medicine, economics, and the sciences. Many foreign investors have praised the productivity, motivation and adaptability of Hungarian workers. More and more young people are attending U.S. and European-affiliated business schools in Hungary. Foreign language skills are becoming more common, especially among younger Hungarians, many of whom speak English and/or German as second languages.

The 1999 annual unemployment rate was just below 7 percent, according to a labor survey that used ILO standards of calculation. Unemployment is very low in Budapest (just over 3 percent in April 2000) and in Western Hungary as a whole. Foreign companies can occasionally face difficulties in hiring skilled workers in the highly industrialized northern part of Hungary west of the Danube River. Unemployment levels are higher than the national average in Hungary east of the Danube. Labor there is cheaper but nearly as skilled as in western Hungary due to the many facilities of higher education to be found in cities such as Debrecen, Szeged and Szolnok.

The Hungarian labor code guarantees employees the right to form or join trade unions and gives unions the right to operate inside of 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 also forbids discrimination based on gender, age, or nationality. The minimum employment age is 16 years, with the exception of apprenticeships, which may begin at the age of 15. Hungary is signatory to and adheres to ILO conventions protecting worker rights. The current monthly minimum wage is HUF 25,500 (less than USD 110), but this is expected to increase to HUF 40,000 (USD 170) in 2001 and HUF 50,000(USD 210) in

2002.

E. Foreign Trade Zones/Free Ports

Foreign investors may set up operations or acquire interest in companies within a duty-free foreign trade zone. The zone is considered foreign territory for customs, foreign exchange, and foreign trade regulation purposes, while companies within the zone are legally considered to be foreign companies. They are required to keep strict accounts, conduct most of their transactions in foreign currency, and establish a forint account at a local bank to meet certain expenses. The Act specifies that taxes and wages must be paid in local currency. The future of these zones will be part of the negotiations for Hungary's accession to the European Union.

Under the Pan-European Cumulation System and the Pan-European Free Trade Zone, both effective in Hungary since July 1, 1997, customs duties paid on goods imported from outside the zone and subsequently exported under preferential trade agreements are no longer refundable. However, content from any member state can accumulate to qualify for preferential treatment. Hungarian authorities have shown flexibility in addressing the customs and tariff concerns of investors.

F. Foreign Direct Investment Statistics

According to Ministry of Economic Affairs data, foreign direct investment in Hungary since 1989 has totaled approximately USD 23 billion, or about 47 percent of Hungary's estimated 1999 GDP (USD 49 billion). U.S. firms are among Hungary's largest investors, responsible for nearly USD 7 billion of total FDI and about 30 percent of the investments above USD 10 million. Other major investing countries are Germany, France, Austria, and the Netherlands, followed by Italy, Sweden, Great Britain, Switzerland, Japan, and Canada. At the end of 1999, 55 percent of all foreign investment was located in manufacturing, followed by telecommunications (15 percent), energy (13 percent), banking/finance (6 percent), and commerce (6 percent).

Most Hungarian overseas investment is directed towards its neighboring countries. In fiscal year 1999 it amounted to USD 230 million, which was down significantly from USD 480 million in fiscal year 1998. Total Hungarian investment in the United States currently stands at about USD 153 million. Of this amount, Hungarians invested USD 40 million in the U.S. during fiscal year 1999.

VIII. TRADE AND PROJECT FINANCING

A. Description of the Banking System

The Hungarian banking and financial sectors' development is shaped by the requirements of globalization, technological advancement, and accession to the EU. Continued liberalization of the sector and the rapid growth of capital transactions have created a mature financial system.

The National Bank of Hungary (MNB) exercises a large influence on the whole banking sector. The MNB has retreated from most of its commercial functions, but continues to relend loans from abroad to domestic banks. The internal and external value of the Forint is maintained by monetary policies of the MNB in cooperation with the Ministry of Finance. The following is a partial list of MNB's instruments to control the country's economy via the banking sector: pre-announced devaluation of the Forint (crawling peg mechanism), setting the size of mandatory reserves for commercial banks, and setting leading interest rates.

The banking system, along with the capital market, the insurance and pension fund markets, is controlled by one authority: the State Supervision of Financial Organizations, created by the merger of three supervisory bodies in April 2000.

Hungary's legislation has opted for "universal banking" as opposed to the U.S. practice of separate commercial and investment banking. Since 1999 banks with appropriate licenses are entitled to provide the full range of securities transactions, including trade in stocks and publicly placed corporate bonds, in addition to commercial banking services. According to OECD regulations, foreign financial institutions can open and operate branch offices in Hungary since January 1998.

The number of credit institutions in Hungary operating as share-holding companies rose to 42 by mid-2000. Foreign ownership in the banking sector reached 65-70 percent, and 34 banks are in majority foreign ownership. Wholly owned subsidiaries or branches of foreign banks are acquiring an increasingly larger share of the market. Furthermore, there is a clear tendency for small banks to be bought by larger players or to merge with each other to form larger players. The prime motivation for merger and acquisition is to cut costs.

The Hungarian government continues to hold equity in a few credit/specialized financial institutions. These include the Hungarian Ex-Im Bank (100 percent), Hungarian Development Bank (100 percent), Land Credit and Mortgage Bank (100 percent), Postabank (99 percent), Budapest Bank (23 percent), OTP (18 percent). The future of Postabank is under Government consideration, while the government has decided that shares in Budapest Bank and OTP will be sold.

As the Hungarian banking system emerges, new types of credit/financial institutions are entering the marketplace including the first mortgage bank and several home-savings institutions. Also, a few credit rating agencies with international involvement have started operation in Hungary.

B. U.S. Banks Operating in the Local Economy

There are currently two banks with U.S. equity in the Hungarian marketplace. Budapest Bank is ranked as the seventh largest bank in Hungary and Citibank is ranked ninth.

Budapest Bank Rt
(Majority owned by GE Capital and EBRD)
Richard Pelly, CEO
Honved u 10
1054 Budapest
Tel: (36 1) 328 1700
Fax: (36 1) 269 2417
Web Address: www.bbrt.hu
E-mail: bbrt@bbrt.hu

Citibank Rt
(fully owned by Citibank Overseas Inc)

Mark Robinson, General Manager
Szabadsag ter 7
1054 Budapest
Tel: (36 1) 374 5000
Fax: (36 1) 374 5100
Web Address: www.citibank.hu

C. Commercial Banks with Correspondent U.S. Banking Relationships

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 includes:

Central-European International Bank - CIB
(majority owned by Banca Commerciale Italiana)
Mr Gyorgy Zdeborszky, CEO
Dr. Bela Sandor, Managing Director, Corporate
Medve utca 4-14
1027 Budapest
Tel: (36 1) 212 1330
Fax: (36 1) 212 4200
Web Address: www.cib.hu
E-mail: cib@cib.hu

Hungarian Foreign Trade Bank Ltd (MKB)
(majority owned by Bayerische Landesbank, Germany)
Mr Tamas Erdei, Chairman & CEO
Vaci utca 38
1056 Budapest
Tel: (36 1) 269 0922
Fax: (36 1) 269 0959
Web Address: www.mkb.hu

Kereskedelmi Es Hitelbank Rt (Commercial and Creditbank)
Mr Tibor Rejto, CEO
Vigado ter 1
1051 Budapest
Tel: (36 1) 328 9000
Fax: (36 1) 328 9696
Web Address: www.khb.hu
E-mail: khbinfo@khb.hu

National Savings and Commercial Bank - OTP Bank
Dr Sandor Csanyi, Chairman and CEO
Nador u 16
1051 Budapest
Tel: (36 1) 353 1444
Fax: (36 1) 312 6858

Web Address: www.otpbank.hu

Postabank es Takarekpenztar Rt
Henrik Auth, CEO
Rumbach Sebestyen u. 21
1071 Budapest
Tel: (36 1) 350 2733
Fax: (36 1) 317 1369
Web Address: www.postabank.hu
E-mail: info@postabank.hu

Additionally, there are a number of international banks that maintain representational offices in Budapest (most with offices in the United States): ABN Amro, Creditanstalt-Bank Austria, Credit Lyonnais, Deutsche Bank, and ING Bank.

D. Availability of Financing

In recent years, capital has become more readily available for businesses, due in part to greater foreign presence, falling interest rates, and increasing competition. However, borrowing rates remain prohibitive for many small and medium-size enterprises (SMEs), with lending rates 10-12 percent over current rates of inflation. Given the inflation rate (estimated for 8-9 percent in 2000), long term borrowing in local currency at a fixed rate is extremely expensive. Most lending by commercial bank takes place at a floating interest rate, and for periods shorter than one year. Project financing is rather limited in Hungary and most such loans are denominated in foreign currencies, provided by foreign banks. Foreigners have greater access to capital outside the country and at better rates than those available in Hungary. Foreign banking subsidiaries have won many of the most attractive clients. Foreign investors have equal access to credit on the local market, the only exceptions being special government credits, such as small business loans, and European Union and international financial organizations which may lend only to Hungarian businesses.

Financing via issuance of corporate bonds is very limited, as the corporate bond market hardly exists. To date only blue-chip companies and local subsidiaries of multinationals have issued corporate bonds in Hungary.

The Export-Import Bank of the United States (Ex-Im Bank) and the U.S. Overseas Private Investment corporation (OPIC) currently offer financing, insurance and loan guarantees in the Hungarian market. There are also several multilateral development banks and other international financial institutions active in Hungary. (see list in section VIII. E. below)

E. Multilateral Development Banks and International Financial Institutions

The following five institutions are currently active in Hungary:

European Bank for Reconstruction & Development (EBRD)
Mr. Hubert Warsmann, Resident Director
Rakoczi ut 42
1072 Budapest

Tel: (36 1) 266 6000
Fax: (36 1) 266 6003
Web Address: www.ebrd.com/english/index.htm

International Bank for Reconstruction & Development (The WORLD BANK)
Mr. Roger Grawe, Country Director
Bajcsy Zsilinszky ut 42-46
1054 Budapest
Tel: (36 1) 374 9500
Fax: (36 1) 374 9510
Hungarian Representative (Washington D.C.): Ms. Zsuzsanna Varga
Tel: (1) (202) 458-7429
Tax: (1) (202) 522-3453
Web Address: www.worldbank.org

International Finance Corporation (IFC)
Ms. Borbala Czako, Chief of Mission
Bajcsy Zsilinszky ut 42-46
1054 Budapest
Tel: (36 1) 374 9590
Fax: (36 1) 374 9597
Web Address: www.ifc.org

International Monetary Fund (IMF)
c/o National Bank of Hungary
Mr. Roger Nord, Senior Resident Representative
Szabadsag ter 8-9
1054 Budapest
Tel: (36 1) 269 0759
Fax: (36 1) 269 0760

The European Investment Bank has no local office in Hungary.

IX. BUSINESS TRAVEL

A. Business Customs

Business customs are similar to those in the United States and Western Europe. Typically, Hungarian business people prefer to develop a personal relationship on which to base a business connection. Normal business hours are 9:00 a.m. to 5:00 p.m. It is not uncommon for businesses and government offices to close in the early afternoon on Fridays. Luncheons, receptions and dinners are a familiar mode of doing business.

B. Travel Advisory and Visas

There are no travel advisories issued for Hungary. Hungary is generally safe and hygienic, although visitors are advised to guard their personal belongings and automobiles. American 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. To obtain a work permit, a visa for work purposes may be obtained from the Hungarian Embassy in the United States prior to arrival in Hungary. Measures designed to curb work and residence permit abuses have made the procedures more cumbersome and time-consuming.

Note: U.S. citizens are prohibited from conducting any kind of commercial transactions with the Aquincum Corinthia Hotel, Hank's restaurant (formerly known as Henry J. Beans) with its component areas, the Chicago Rib Shack, and Blues Alley as they are majority owned by a Specially Designated National of Libya.

Additional information on travel and living in Hungary can be reviewed on the Consular Section's website at www.usis.hu/consular.htm.

C. Holidays

Hungary celebrates the following holidays: New Year's (January 1); Revolution Day (March 15); Easter Monday (April 16, 2001); Labor Day (May 1); Whit Monday (June 4, 2001); National Day (August 20); Republic Day (October 23); Christmas (December 25); and Boxing Day (December 26).

D. Business Travel Infrastructure

In addition to MALEV, the Hungarian national airline, Hungary is served by many international airlines, including Delta, Alitalia, KLM, Lufthansa, British Airways, Austrian Airlines, Olympia, SAS, Air France, Sabena, Swissair, Finnair, El Al, LOT Polish Airlines, Czech Airlines, Aeroflot, Balkan Bulgarian Airlines, Tunisair and Tarom Romanian Airlines. United Airlines, American Airlines and Continental Airlines have off-line service to Budapest as well. Travel into the countryside is easily accomplished by car or rail. Hungary is criss-crossed by railway lines that connect most cities. The Hungarian National Railway's "Inter-City" line provides express service to several cities. A hydrofoil can be taken to Vienna, Austria. Highways are generally good, with a major construction program to upgrade connections with some outlying cities now served by two-lane roads. With the completion of the M1 highway to the western Hungarian border, the trip between Budapest and Vienna takes less than three hours.

In Budapest, there is an efficient subway (3 lines) that is supplemented by a comprehensive bus, tram and trolley system. Taxis are also available; however, it is advisable to phone one of the major taxi companies, rather than hailing at curbside. Hotel taxis are permitted to charge higher rates. Although fares are regulated from the airport, it is wise to ask the price in advance to a destination (airport to downtown is approx. USD 25). There is also an airport minibus shuttle service, which is reliable and costs under USD 10.

Budapest has five 5-star (Hilton, Hyatt, Inter-Continental, Kempinski, Marriott) and several 4-star hotels located near the city center. Hotel facilities vary in quality outside of Budapest.

Telephone service is very reliable in Hungary, including long-distance. Budapest is serviced by three cellular phone systems as well as by several paging services. Calling card services such as AT&T, MCI and Sprint can be accessed from Hungary.

English is regularly used in business contexts. There are, of course, firms, especially smaller ones, whose principals do not speak English. In these instances, an interpreter is often made available. It is nonetheless prudent to ask in advance what interpretation provisions have been made for a meeting.

Hungarians address each other by their family names first, followed by their given names (e.g., Smith John). Business cards follow this convention unless printed in English. It is always advantageous to learn basic greetings in Hungarian. Even the most minimal efforts will be appreciated by Hungarian business partners.

"Foreign Service Posts: Guide for Business Representatives" is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington DC 20402, tel: (202) 512-1800, fax: (202) 512-2250. Business travelers to Hungary seeking appointments with U.S. Embassy Budapest officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at (36 1) 475-4236, by fax at (36 1) 475-4676 or by email at obudapes@mail.doc.gov. Business representatives are encouraged to visit the Embassy's Website at http://www.usis.hu.

COUNTRY COMMERCIAL GUIDE

HUNGARY

FISCAL YEAR 2001

Prepared July 31, 2000

X. APPENDICES

APPENDIX A

COUNTRY DATA

(SOURCE: CENTRAL STATISTICAL OFFICE)

POPULATION (MILLION) 10.026
POPULATION GROWTH RATE (%).....................0
RELIGIONS ......…………………………...CATHOLIC/REFORMIST/JEWISH/LUTHERAN
GOVERNMENT SYSTEM ....……….REPUBLIC/MULTI-PARTY
LANGUAGES ....…………………...HUNGARIAN/GERMAN/ENGLISH
WORK WEEK ....……………....MONDAY TO FRIDAY

APPENDIX B

DOMESTIC ECONOMY

(SOURCE: HUNGARIAN NATIONAL BANK)

	1998	1999	2000 (Estimated)	2001 (Estimated)
NOMINAL GDP (USD MILLION)	47,040	49,764	52,000	54,000
REAL GDP GROWTH (%)	5.1	4.5	5.5-6	5
GDP PER CAPITA (USD)	4,651	4,836	5,050	5,200
GOV. SPENDING AS A % OF GDP	45.1	38.5	37.5	37.5
CONSUMER PRICE INFLATION (%)	14.3	10.4	8.7	5-6
UNEMPLOYMENT RATE (%)*/	9.1	9.6	6.5	6.5
EXCHANGE RATE (annual average) FOR USD	214.5	237.15	280	300
DEBT SERVICE PAYMENTS/ EXPORT**(%)	15.6	14.7	14.0	13.0
CUM. CAPITAL OUTFLOW (USD BILLION)	1,012	1,261	1,500	2,000

APPENDIX C

TRADE (U.S. DOLLARS)

(SOURCE: CUSTOMS STATISTICS PROVIDED BY THE FINANCE MINISTRY)

		1998	1999	2000 (Estimated)	2001 (Estimated)
EXPORTS, MILLION USD**/		23,005	25,013	25,962	25,500
EXPORTS TO USA MILLION USD **/	1,045	1,297	1,266	1,250	
IMPORTS, MILLION USD**/		25,706	28,008	29,500	30,000
IMPORTS FROM USA MILLION USD**/	992	968	1,144	1,300	
FX RESERVES BILLION USD	9.37	11	11	N/A	

NOTES TO APPENDICES B and C:

N/A NOT APPLICABLE

*/ ACCORDING TO ILO RECOMMENDATIONS SINCE JANUARY 2000

**/ CUSTOMS STATISTICS AND CUSTOMS FREE ZONES

APPENDIX D

INVESTMENT STATISTICS

Foreign Direct Investment Statistics

Based on information from the Ministry of Industry and Trade, foreign direct investment (FDI) totaled USD 21.6 billion at the end of 1999. Approximately 35,000 joint ventures were registered in Hungary and forty of the world's 50 largest multinational companies now have a Hungarian subsidiary. Hungary expects to receive approximately USD 1.5 billion annually in FDI through 2002, which are mainly greenfield investments as the privatization process has practically ended.

Foreign Direct Investment in Hungary (does not include in-kind contributions)

Year	Value (USD million)
1988	184
1989	357
1990	858
1991	1,651
1992	1,671
1993	2,539
1994	1,346
1995	4,453
1996	2,275
1997	2,173
1998	2,136
1999	1,944
Total	21,586

Sector	Percent
Industry	50
Telecommunication	15
Energy Production/Supply	13
Bank and Finance	6
Commerce	6
Other	10

The United States is one of the leading investors in Hungary with approximately USD 7.5 billion of FDI (29 percent of investments above USD 10 million). Other major investing countries are Germany, France, Austria, and The Netherlands, followed by Italy, Sweden, Great Britain, Switzerland, Japan, and Canada.

Table 1. Major Foreign Investments in Hungary

Listed below are major foreign direct investments in Hungary, primarily privatization and greenfield projects. This list is indicative but not exhaustive. Investment totals reflect cumulative foreign capital invested, at historical cost. In some cases, reinvested local revenues and subsequent company growth mean that the current market value of the foreign investor's stake substantially exceeds the original capital invested.

FOREIGN INVESTORS: MagyarCom (Deutsche Telekom)
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 1.727 billion
SECTOR: Telecommunications
LOCAL SUBSIDIARY: Matav

FOREIGN INVESTOR: General Electric (GE Lighting)
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 1 billion
SECTOR: Lighting
LOCAL SUBSIDIARY: GE Hungary Rt, GE Medical Systems, Budapest Bank

FOREIGN INVESTORS: Volkswagen/Audi
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 800 million
SECTOR: Finished autos, auto parts
LOCAL SUBSIDIARY: Audi Hungaria

FOREIGN INVESTORS: RWE Energie AG, Energie Baden, Wurtemberg AG
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 500 million
SECTOR: Electricity generation
LOCAL SUBSIDIARY: Elmu, Emasz, Matra Power Plant, RWE Hungary

FOREIGN INVESTOR: Eridania Beghin-Say SA
COUNTRY OF ORIGIN: France
FOREIGN CAPITAL INVESTED: USD 540 million
SECTOR: Production and marketing of sugar and other agricultural products
LOCAL SUBSIDIARY: Eridania Beghin-Say, Szolnok Sugar Factory, Szerencse Sugar Factory, Matra Regional Sugar Factory, Cereol, Agrokomplex

FOREIGN INVESTOR: General Motors
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 510 million
SECTOR: Finished autos, auto parts
LOCAL SUBSIDIARY: Opel Hungary

FOREIGN INVESTORS: Scandinavian PTTs (PTT Telecom, Telenor, Teledenmark, Telecom)
COUNTRY OF ORIGIN: The Netherlands, Norway, Denmark, Finland

FOREIGN CAPITAL INVESTED: USD 400 million
SECTOR: Telecommunications (Mobile)
LOCAL SUBSIDIARY: Pannon GSM

FOREIGN INVESTOR: Aegon Insurance
COUNTRY OF ORIGIN: The Netherlands
FOREIGN CAPITAL INVESTED: USD 395 million
SECTOR: Insurance
LOCAL SUBSIDIARY: Aegon Insurance Group, AB-Aegon General Insurance, AB-Moneta, AB Novinvest, Aegon Pension Fund

FOREIGN INVESTORS: Banca Commerciale Italiana
COUNTRY OF ORIGIN: Italy
FOREIGN CAPITAL INVESTED: USD 370 million
SECTOR: Banking
LOCAL SUBSIDIARY: CIB Bank

FOREIGN INVESTOR: Bayernwerk AG
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 370 million
SECTOR: Electricity distribution
LOCAL SUBSIDIARY: Dedasz, Edasz, Titasz, Kogaz, Bayernwerk Hungaria

FOREIGN INVESTOR: Ericsson
COUNTRY OF ORIGIN: Sweden
FOREIGN CAPITAL INVESTED: USD 350 million
SECTOR: Telecommunications
LOCAL SUBSIDIARY: Ericsson

FOREIGN INVESTOR: Deutsche Telekom
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 330 million
SECTOR: Telecommunications
LOCAL SUBSIDIARY: Westel Mobile Telecommunications

FOREIGN INVESTOR: Coca-Cola
COUNTRY OF ORIGIN: Unites States and other
FOREIGN CAPITAL INVESTED: USD 300 million
SECTOR: Beverages
LOCAL SUBSIDIARY: Coca-Cola Hungary

FOREIGN INVESTOR: Aluminum Company of America (Alcoa)
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 270 million
SECTOR: Aluminum
LOCAL SUBSIDIARY: Alcoa-Kofem

FOREIGN INVESTOR: Siemens
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 260 million
SECTOR: Electronics and electrical engineering
LOCAL SUBSIDIARY: Siemens Hungary

FOREIGN INVESTOR: Electricite de France (EdF)
COUNTRY OF ORIGIN: France
FOREIGN CAPITAL INVESTED: USD 253.5 million
SECTOR: Electricity generation
LOCAL SUBSIDIARY: Edasz, Demasz, EdF

FOREIGN INVESTOR: Vivendi Telecom Hungary
COUNTRY OF ORIGIN: France
FOREIGN CAPITAL INVESTED: USD 550 million
SECTOR: Telecommunications
LOCAL SUBSIDIARY: Deltav, Digitel 2002, Jasztel, Bakonytel, KisdunaCom, Dunatel, EgomCom, PartnerCom, Eurote

FOREIGN INVESTOR: Hungarian Telephone and Cable Corporation
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 250 million
SECTOR: Telecommunications
LOCAL SUBSIDIARY: HTCC Consulting Rt, Papatel, Rabacom, Kelet-Nogradcom, Hungarotel Rt.

FOREIGN INVESTOR: Suzuki Motor Corp.
COUNTRY OF ORIGIN: Japan
FOREIGN CAPITAL INVESTED: USD 250 million
SECTOR: Finished autos
LOCAL SUBSIDIARY: Magyar Suzuki

FOREIGN INVESTOR: ABN AMRO
COUNTRY OF ORIGIN: Netherlands
FOREIGN CAPITAL INVESTED: USD 237 million
SECTOR: Banking
LOCAL SUBSIDIARY: ABN AMRO

FOREIGN INVESTORS: VEW/Ruhrgas
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 227 million
SECTOR: Gas distribution
LOCAL SUBSIDIARY: Budapest Gas Works, Ddgaz

FOREIGN INVESTOR: Allianz
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 220 million
SECTOR: Insurance

LOCAL SUBSIDIARY: Hungaria Biztosito

FOREIGN INVESTORS: Various
COUNTRY OF ORIGIN: France/Austria
FOREIGN CAPITAL INVESTED: USD 220 million
SECTOR: Construction
LOCAL SUBSIDIARY: Hungarian Euro-Expressway

FOREIGN INVESTOR: Vodafone Airtouch
COUNTRY OF ORIGIN: United Kingdom
FOREIGN CAPITAL INVESTED: USD 206 million
SECTOR: Telecommunications
LOCAL SUBSIDIARY: VRAM Tavkozlesi Rt

FOREIGN INVESTOR: Gaz de France
COUNTRY OF ORIGIN: France
FOREIGN CAPITAL INVESTED: USD 202 million
SECTOR: Natural gas distribution
LOCAL SUBSIDIARY: Egaz, Degaz, GdF Representation, Pannon Energia

FOREIGN INVESTOR: Sanofi SA
COUNTRY OF ORIGIN: France
FOREIGN CAPITAL INVESTED: approx. USD 200 million
SECTOR: Pharmaceuticals
LOCAL SUBSIDIARY: Chinoin

FOREIGN INVESTOR: Ford Motors
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 180 million
SECTOR: Automotive parts
LOCAL SUBSIDIARY: Visteon Hungary Kft.
FOREIGN INVESTOR: Tractebel SA
COUNTRY OF ORIGIN: Belgium
FOREIGN CAPITAL INVESTED: USD 180 million
SECTOR: Electricity generation
LOCAL SUBSIDIARY: Dunamenti Power Co.

FOREIGN INVESTOR: IBM
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 166 million
SECTOR: Fixed disk drives, hardware services
LOCAL SUBSIDIARY: IBM Storage Products Hungary, IBM Magyarorszagi Kft

FOREIGN INVESTORS: Westcast
COUNTRY OF ORIGIN: Canada
FOREIGN CAPITAL INVESTED: USD 165 million

FOREIGN INVESTOR: Prinzhorn Groupe
COUNTRY OF ORIGIN: Austria
FOREIGN CAPITAL INVESTED: USD 160 million
SECTOR: Paper and packaging
LOCAL SUBSIDIARY: Dunapack, Halaspack

FOREIGN INVESTOR: Pepsico
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 160 million
SECTOR: Beverages
LOCAL SUBSIDIARY: Budapest Mineral Water and Soft Drinks

FOREIGN INVESTOR: Feruzzi
COUNTRY OF ORIGIN: Italy
FOREIGN CAPITAL INVESTED: USD 160 million
SECTOR: Food, detergents
LOCAL SUBSIDIARY: NMV

FOREIGN INVESTOR: Philip Morris
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 150 million
SECTOR: Consumer goods
LOCAL SUBSIDIARY: Eger Tobacco Company

FOREIGN INVESTOR: AES
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 130 million
SECTOR: Electricity generation
LOCAL SUBSIDIARY: AES Power, AES Tisza II, AES Borsodi Energetika Kft.

FOREIGN INVESTOR: Bristol Myers Squibb
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 120 million
SECTOR: Pharmaceuticals
LOCAL SUBSIDIARY: Pharmavit

FOREIGN INVESTOR: Guardian Glass
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 110 million
SECTOR: Glass
LOCAL SUBSIDIARY: Hunguard

FOREIGN INVESTOR: Flextronics International
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Electronic equipment
LOCAL SUBSIDIARY: Flextronics Hungary Kft

FOREIGN INVESTOR: Sara Lee/Douwe Egbert
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Food processing
LOCAL SUBSIDIARY: Compack

FOREIGN INVESTOR: Baruse BV./Pennecom BV.
COUNTRY OF ORIGIN: The Netherlands
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Telecommunications
LOCAL SUBSIDIARY: Monortel

FOREIGN INVESTOR: Servier
COUNTRY OF ORIGIN: France
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Pharmaceuticals
LOCAL SUBSIDIARY: Egis

FOREIGN INVESTOR: Metro
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Food retailing
LOCAL SUBSIDIARY: Metro

FOREIGN INVESTOR: Unilever
COUNTRY OF ORIGIN: The Netherlands/United Kingdom
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Food, detergents
LOCAL SUBSIDIARY: Unilever

FOREIGN INVESTOR: Hungarian Investment
COUNTRY OF ORIGIN: United Kingdom
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Financial services
LOCAL SUBSIDIARY: Nikex

FOREIGN INVESTOR: Philips Car Systems
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Car stereos, CD/cassette players
LOCAL SUBSIDIARY: Euroton Technica

FOREIGN INVESTOR: Denso Corporation
COUNTRY OF ORIGIN: Japan
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Automotive parts

LOCAL SUBSIDIARY: Denso Manufacturing Hungary Ltd.

FOREIGN INVESTOR: Delphi Calsonic
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 100 million
SECTOR: Automotive parts
LOCAL SUBSIDIARY: Delphi Calsonic Hungary Kft.

FOREIGN INVESTORS: Sanyo Electric
COUNTRY OF ORIGIN: Japan
FOREIGN CAPITAL INVESTED: USD 93 million
SECTOR: Electronic equipment

FOREIGN INVESTOR: GE Capital Corporation
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 87 million
SECTOR: Financial services
LOCAL SUBSIDIARY: Budapest Bank

FOREIGN INVESTORS: First Hungary Fund
COUNTRY OF ORIGIN: United Kingdom/United States
FOREIGN CAPITAL INVESTED: USD 180 million
SECTOR: Financial services
LOCAL SUBSIDIARY: Rona es Tarsai Rt.

FOREIGN INVESTORS: Jabil Circuit
COUNTRY OF ORIGIN: United States
FOREIGN CAPITAL INVESTED: USD 80 million
SECTOR: Electronic equipment
LOCAL SUBSIDIARY: Jabil Circuit Kft.

FOREIGN INVESTORS: TrizecHahn Corp./Polus Investment
COUNTRY OF ORIGIN: Canada
FOREIGN CAPITAL INVESTED: USD 75 million
SECTOR: Construction
LOCAL SUBSIDIARY: Trigranit Development Corp.

FOREIGN INVESTORS: Host Marriott Corp./Erste Bank
COUNTRY OF ORIGIN: United States and Austria
FOREIGN CAPITAL INVESTED: USD 75 million
SECTOR: Hotel
LOCAL SUBSIDIARY: Marriott

FOREIGN INVESTORS: Robert Bosh GmbH
COUNTRY OF ORIGIN: Germany
FOREIGN CAPITAL INVESTED: USD 50 million
SECTOR: Electronic equipment

LOCAL SUBSIDIARY: Robert Bosch Elektronika Gyarto Kft, Digital Disc Drivers Kft, BSH Kft

FOREIGN INVESTORS: Grundfos
COUNTRY OF ORIGIN: Denmark
FOREIGN CAPITAL INVESTED: USD 50 million
SECTOR: Electric pumping systems
LOCAL SUBSIDIARY: Grundfos Hungaria Kft.

APPENDIX E

U.S. AND COUNTRY CONTACTS

A. U.S. Embassy Personnel

American Embassy Budapest
Ambassador: Peter Tufo
Deputy Chief of Mission: Thomas B. Robertson
Economic Counselor: Jean A. Bonilla
Commercial Counselor: Scott Bozek (see below)
Consul General: Susan Alexander
Political Counselor: Kyle Scott
Defense Attache: Colonel James P. Mault
Szabadsag ter 12
H-1054 Budapest
Tel: (36 1) 475-4400
Fax: (36 1) 475-4764
Web Address: www.usis.hu/emb.htm

U.S. Agency For International Development (USAID)
USAID Representative: Patricia Lerner
Bank Center Granite Tower
Szabadsag ter 7-9
H-1054 Budapest
Tel: (36 1) 475-4314
Fax: (36 1) 302-0693
Web Address: www.usaid.gov

U.S. Commercial Service
Senior Commercial Officer: E. Scott Bozek
Commercial Attache: Pamela Ward
Bank Center Granite Tower
Szabadsag ter 7-9
H-1054 Budapest
Tel: (36 1) 475-4236
Fax: (36 1) 475-4676
Web Address: www.usatrade.gov

U.S. Information Service
Public Affairs Officer: James Nealon
Bank Center Granite Tower
Szabadsag ter 7-9
H-1054 Budapest
Tel: (36 1) 475-4766
Fax: (36 1) 475-4764
Web Address: www.usis.hu/usisbp.htm

U.S. Department of Agriculture

Agricultural Specialist, Foreign Agricultural Service: Ferenc Nemes
Tel: (36 1) 475-4162
Fax: (36 1) 475-4676
E-mail: AgBudapest@compuserve.com
Agricultural Counselor (Embassy Vienna): Robert Curtis
Tel: (43 1) 313-39-2249
Fax: (43 1) 310-8208
E-mail: Agvienna@compuserve.com
Web Address: www.usda.gov

Office of Defense Cooperation

Chief: Walter Riedle
Bank Center Granite Tower
Szabadsag ter 7-9
H-1054 Budapest
Tel: (36 1) 475-4400
Fax: (36 1) 475-4764

B. AmCham and Bilateral Business Councils

American Chamber of Commerce in Hungary

Executive Director: Peter Fath
Deak Ferenc utca 10
H-1051 Budapest
Tel: (36 1) 266-9880
Fax: (36 1) 266-9888
Web Address: www.amcham.hu

C. Trade and Industry Associations

Hungarian Chamber of Commerce and Industry

President: Dr. Lajos Tolnay
Kossuth Lajos ter 6-8
H-1055 Budapest
Tel: (36 1) 474-5100
Fax: (36 1) 474-5105
Web Address: www.mkik.hu

Federation of Hungarian Industrialists

President: Gabor Szeles
Secretary General: Istvan Wimmer
1055 Budapest
Kossuth Lajos ter 6-8
Tel: 474-2043; Fax: 474-2065

Hungarian Banking Association

Secretary General: Rezso Nyers
Roosevelt ter 7-8
H-1051 Budapest
Tel: (36) (1) 331-1723
Fax: (36) (1) 312-5826
E-mail: bankszou@mail.matav.hu

Association of IT Companies

President: Tibor Gyuros
Madach ter 3-4.
H-1075 Budapest
Tel: (36 1) 327-8346, 327-8347
Fax: (36 1) 327-8343
Web Address: www.ivsz.hu

Hungarian Chamber of Database Suppliers

Secretary: Andras Felegyhazi
Kuny Domokos utca 13-15
H-1012 Budapest
Tel: (36 1) 213-5089
Fax: (36 1) 375-9722
www.dbassoc.hu

Association of Hungarian Building Materials Industry

Secretary: Laszlo Tamas
Fo utca 68
H-1027 Budapest
Tel./fax: (36) (1) 201-6682

Association of the Hungarian Chemical Industries

Secretary General: Dr. Laszlo Bondar
Erzsebet kiralyne utja 1/c
H-1146 Budapest
Tel:(36 1) 343-8920
Fax:(36 1) 343-0980

Hungarian Direct Selling Association

Eva Rajki, Secretary General
1/C I/114, Erzsebet kiralyne utja
H-1146 Budapest
Phone/fax: (36 1) 344-49-51
E-mail: evarajki.dsahungary@mail.datanet.hu.

Association of the Hungarian Electronic and Informatics Industries

Secretary General: Istvan Basa

Szemere utca 17
H-1054 Budapest
Postal address: POB 33
H-1525 Budapest
Tel: (36 1) 331-8986 and 311-6271
Fax: (36 1) 331-6320

National Professional Association of the Environment Protection Industry
Managing Director: Anna Szekely
Hegedus Gyula utca 68
H-1133 Budapest
Tel: (36 1) 350-7271
Fax: (36 1) 350-7274

National Association of Trading Companies
Secretary General: Gyorgy Vamos
Kuny Domokos utca 13-15
H-1012 Budapest
Tel: (36 1) 202-6574
Fax: (36 1) 355-9689

Hungarian Franchise Association
President: Endre Pincesi
Margit korut 15-17
H-1024 Budapest
Tel: (36 1) 212-4124
Fax: (36 1) 212-5712
Web Address: www.datanet.hu.

Association of Hungarian Insurance Companies
President: Dr. Gyorgy Bordas
Deak Ferenc utca 10
H-1052 Budapest
Tel: (36 1) 318-3473
Fax: (36 1) 337-5394

Association of the Hungarian Light Industries
Secretary General: Jozsef Cseh
Address: Rozsa Ferenc utca 55
H-1064 Budapest
Postal address: POB 329
H-1390 Budapest
Tel/Fax: (36 1) 341-4793

Association of the Hungarian Pharmaceutical Industries
Director: Laszlo Buzas
Vorosmarty ter 1

H-1051 Budapest
Tel: (36 1) 317-6739, 318-7728
Fax: (36 1) 318-3957, 318-8587

Association of Real-Estate Dealers
President: Peter Mehrli
Margit krt. 43-45.
H-1024 Budapest
Fax: (36) (1) 315-1038
Tel: (36) (1) 326-7776
E-mail: Hrea@euroweb.hu

Federation of Public Road Transport Firms
Secretary General: Andras Denes
Terez korut 38
H-1066 Budapest
Tel: (36 1) 332-9939
Fax: (36 1) 332-9939

Joint Venture Association
President: Gyorgy Mosonyi
Kuny Domokos utca 13-15
H-1012 Budapest
Tel: (36 1) 212-2506
Fax: (36 1) 356-2506

National Association of Building Contractors
Managing Director: Janos Nagy
Dobrentei ter 1
H-1013 Budapest
Tel: (36 1) 201-0333
Fax: (36 1) 201-3840
Web Address: www.evosz.hu

National Association of Food Processing Companies
Secretary General: Laszlo Piros
Kuny Domokos utca 13-15
H-1012 Budapest
Tel: (36 1) 375-4721
Fax: (36 1) 355-5057

National Association of Packaging and Material Handling
Secretary General: Gyorgy Viszkei
Rigo utca 3, I
H-1085 Budapest
Tel: (36 1) 210-0101, 313-7034
Fax: (36 1) 333-8170

Association of the Plastics Industry
Secretary: Kalman Wappel
Erzsebet kiralyne utja 1/c
H-1146 Budapest
Tel: (36 1) 343-0759
Fax: (36 1) 343-0759

D. Hungarian Government Offices

Embassy of the Republic of Hungary
3910 Shoemaker Street, N.W.
Washington, D.C. 20008
Tel: 362-6730
Fax: 966-8135
E-mail: office@huembwas.org
Web Address: www.hungaryemb.org

The Hungarian Investment and Trade Development Agency
Director: Dr. Tibor Melega
1051 Budapest
Dorottya u. 4
Tel: (36 1) 318-0051
Fax: (36 1) 318-3732

Ministry of Economic Affairs
International Relations/USA Desk: Vilmos Fohring
Postal address: H-1880 Budapest, B.O.Box 111.
Honved utca 13-15
H-1055 Budapest
Tel: (36 1) 302-2355
Fax: (36 1) 374-2700
Web Address: www.gm.hu

Ministry of Foreign Affairs
Bem Rakpart 47
H-1027 Budapest
Tel: (36 1) 458-1000
Fax: (36 1) 212-5918
Web Address: www.mfa.hu

Ministry of Finance
Jozsef nador ter 2-4
H-1051 Budapest
Tel: (36 1) 318-2066, 327-2100
Fax: (36 1) 318-2570

Web Address: www.meh.hu

Ministry of Environment
International Relations: Eszter Szovenyi
Fo utca 44-50
H-1011 Budapest
Tel: (36 1) 457-3300
Fax: (36 1) 201-2846
Web Address: www.ktm.hu

Ministry of Transport and Water Management
Director General of International Relations: Andras Hardy
Dob utca 75-81
H-1077 Budapest
Tel: (36 1) 351-7522, 322-3480
Fax: (36 1) 322-8695
Web Address: www.khvm.hu

Ministry of Agriculture and Regional Development
International Affairs- U.S. Desk, Ms. Orsolya Csory
Kossuth Lajos ter 11.
H-1055 Budapest
Tel: (36 1) 301-4350
Fax: (36 1) 301-4662
Web Address: www.fvm.hu

National Bank of Hungary
President: Gyorgy Suranyi
Szabadsag ter 8-9
H-1054 Budapest
Tel: (36 1) 269-4760, 302-3000
Fax: (36 1) 332-3913
Web Address: www.mnb.hu

State Privatization and Holding Co. (APV Rt.)
General Director: Gyula Gansperger
Pozsonyi ut 56
H-1133 Budapest
Tel: (36 1) 237-4400
Fax: (36 1) 349-5745
Web Address: www.apvrt.hu

Hungarian Export-Import Bank Rt.
CEO: Frigyes Banki
Nagymezo utca 46-48
H-1065 Budapest
Tel: (36 1) 374-9100

Fax: (36 1) 269-4476
Web Address: www.eximbank.hu

E. Market Research Firms

Kopint-Datorg Rt.
CEO: Peter Kratochwill
Csokonai utca 3
H-1081 Budapest
Tel: (36 1) 210-1550
Fax: (36 1) 303-1000
Web Address:www.kopdat.hu

Gallup Hungary Ltd.
Vice President: Robert Manchin
Fo ter 1
H-1033 Budapest
Tel: (36 1) 250-0999
Fax: (36 1) 250-0650
Web Address: www.gallup.hu

BPI Hungary Kft.
General Manager: Janos Adam
Nemetvolgyi ut 114
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Tel: (36 1) 319-0241
Fax: (36 1) 319-2959
Web Address: www.baudata.hu

Macro-TQI
Country Manager: Laszlo Hartvanyi
Vorosmarty ter 1
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Tel/Fax: (36 1) 266-6272

AcNielsen Ltd.
CEO: Christou Michalis
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H-1056 Budapest
Tel: (36 1) 327-9700
Fax: (36 1) 327-9790
Web Address: www.acnielsen.com

F. Commercial Banks

Budapest Bank (GE Capital)
General manager: Richard Pelly

Alkotmany utca 3
H-1054 Budapest, Hungary
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Fax: (36 1) 269-2417
Web Address: www.budapestbank.hu

Commercial and Credit (K&H) Bank
CEO: Tibor E. Rejt o
Vigado ter 1
H-1051 Budapest
Tel: (36 1) 328-9000
Fax: (36 1) 328-9696
Web Address: www.khb.hu

National Savings and Commercial Bank (OTP)
CEO and Chairman: Dr. Sandor Csanyi
Nador utca 16
H-1051 Budapest
Tel: (36 1) 353-1444
Fax: (36 1) 312-6858
Web Address: www.otp.hu

Postabank es Takarekpenztar Rt.
CEO: Henrik Auth
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H-1132 Budapest
Tel: (36 1) 318-0855
Fax: (36 1) 317-1369
Web Address: www.postabank.hu

Hungarian Foreign Trade Bank (MKB)
CEO: Tamas Erdei
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H-1056 Budapest
Tel: (36 1) 269-0922
Fax: (36 1) 269-0959
Web Address: www.mkb.hu

Citibank Rt.
CEO: Mark Robinson
Szabadsag ter 7-9.
H-1054 Budapest
Tel: (36 1) 374-5000
Fax: (36 1) 374-5100
Web Address: www.citibank.hu

Central European International Bank (CIB)

President & CEO: Gyorgy Zdeborsky
Medve utca 4-14
H-1027 Budapest
Tel: (36 1) 212-1330
Fax: (36 1) 212-4200
Web Address: www.cib.hu

ABN Amro Bank Magyarorszag Rt.
CEO: Bernard Yoncourt
Pozsonyi utca 77-79
H-1133 Budapest
Tel: (36 1) 465-7200,350-2944
Fax: (36 1) 349-4127

Bank Austria Creditanstalt Hungary Rt.
CEO: Dr. Matthias Kunsch
Akademia utca 17
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Tel: (36 1) 269-0812
Fax: (36 1) 353-4959

Credit Lyonnais Magyarorszag Rt.
Managing Director: Jacques Yves Mulliez
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Tel: (36 1) 266-9000
Fax: (36 1) 266-9950

ING Bank Magyarorszag Rt.
General Manager: Randolph Koppa
Andrassy ut 9
H-1061 Budapest
Tel: (36 1) 268-0140, 321-1320
Fax: (36 1) 269-6447, 268-0159
Web Address: www.ing.nl/holland/

G. U.S. Government Contacts

Export-Import Bank of the United States
Director of Sales, International Business Development: Craig O'Connor
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Tel: 202-565-3939
Fax: 202-565-3932
General Numbers
Tel: 202-565-3800
Fax: 202-565-3380

Web Address: www.exim.gov

Multilateral Development Bank Operations
U.S. Department of Commerce
USA Trade Center
Ronald Reagan Building
Mezzanine Level
Washington, D.C. 20230
Tel: (202) 482-3399
Fax: (202) 482-3914
Web Address: www.ita.doc.gov/mbdo

Overseas Private Investment Corporation (OPIC)
Insurance: Meryl Burpoe
Finance: Brian W. Treadwell
Investment Promotion: Barbara Brereton
Regional Business Development Manager: James Gale
1100 New York Avenue, NW
Washington, DC 20572
Tel: 202-336-8617
Fax: 202-408-5145
Web Address: www.opic.gov

Small Business Administration
Washington D.C. District Office
1110 Vermont Ave. NW.
9th Floor
Washington, DC 20005
Tel: (202) 606-4000
Web Address: www.sba.gov

Trade Information Center in Washington:
Tel: 1-800-USA-Trade
Web Address: www.ita.doc.gov

U.S. Department of Agriculture,
Foreign Agricultural Service
AgExport Services Division
Tel: (202) 720-6343
Fax: (202) 690-4374
Web Address: www.fas.usda.gov

U.S. Department of Commerce
Market Access & Compliance (MAC)
14th & Constitution Ave, NW
Washington, DC 20230
Jay Burgess, Director

Tel: (202) 482-2645
Fax: (202) 482-4473
Hungary Desk Officer: Laurie Molnar
Tel: (202) 482-4915
Fax: (202) 482-4505
Web Address: www.ita.doc.gov

U.S. Department of Commerce
The Central and Eastern Europe Business Information Center (CEEBIC)
Mike Rogers, International Trade Specialist
1300 Pennsylvania Ave., NW
USA Trade Center
Suite 800 (Mezzanine Level)
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Fax: (202) 482-3898
Web Address: www.itaiep.doc.gov/eebic/ceebic.htm/

U.S. Department of State
Hungary Desk Officer: Helene Kessler
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Tel: (202) 647-32387
Fax: (202) 736-4853
Office of the Coordinator for Business Affairs
Tel: 202-746-1625
Fax: 202-647-3953

U.S. Trade & Development Agency
Country Manager: Lance Ludman
Room 309 SA-16
Washington, DC 20523-1602
Tel: (703) 875-4357
Fax: (703) 875-4009
Web Address: www.tda.gov

Office of the U.S. Trade Representative
Deputy U.S. Trade Representative: Cathy Novelli
Executive Office of the President
Washington, DC 20506
Tel: 202-395-3204
Fax: 202-395-3911
Web Address: www.ustr.gov

H. Trade Event Organizers and Other Key Contacts

COMPEXPO
Managing Director: Peter Ihrig
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Fax: (36 1) 317-0436

HungExpo Co. Ltd.
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Web Address: www.hungexpo.hu

U.S. Eastern Hungary Program Foundation
Mr. Laszlo Metzing, Program Coordinator
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H-1051 Budapest
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Ms. Susan Kutor, U.S. Embassy Liaison
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Szabolcs-Szatmar Bereg County
Regional Manager: Balazs Korvin
4400 Nyiregyhaza
Vaci M. u. 41
Tel: (36-42) 502-177; Fax (36-42) 502-178
E-mail: Ehinyh@szabinet.hu

Borsod-Abauj-Zemplen County
Regional Manager: Csaba Kupas
3530 Miskolc
Mindszent ter 1
Tel: (46) 427-978; Fax: (36-46) 427-979
E-mail: Ehpkupas@elender.hu

Hajdu-Bihar County
Regional Manager: Balazs Korvin
4024 Debrecen
Piac u. 54.
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E-mail: us_ehp@ph.debrecen.hu

APPENDIX F

MARKET RESEARCH

Air Pollution Control – ISA (POL)

Architecture/Construction/Engineering Services, ISA (ACE)

Automotive Parts & Service Equipment, ISA (APS)

Banking & Financial Services, ISA (FNS)

Civil Aviation Market in Hungary (AIR, APG)

Computer Hardware Market, IMI (CPT)

Computer Networking, ISA (CPT)

Cosmetics Industry, ISA (COS)

Defense Market Guide, IMI (DFN)

Distribution System, ISA (GSV)

Environmental Research, IMI (ENV)

Equipment & Services for Upgrading Power Generation Facilities, ISA (ELP, POL)

Films/Videos/CDs/Books, ISA (FLM, BOK)

Franchising in Hungary, ISA (FRA)

Health Care Market, ISA (MED)

Household Consumer Goods, ISA (HCG)

Internet Services, ISA (CSV)

Pharmaceutical Market (MED)

Real Estate Market in Hungary, ISA (GSV)

Regional Business Aircraft and Parts, IMI (AIR)

Renewable Energy Equipment, ISA (REQ)

Shopping Malls in Hungary, IMI (GSV)

Telecommunications Services, IMI (TES)

Travel and Tourism in Hungary, ISA (TRA)

Travel and Tourism to the U.S.A., IMI (TRA)

Waste Management, ISA (POL)

Wastewater Treatment, ISA (POL)

The above listed market research is available on the National Trade Data Bank (NTDB). Reports are also available from the U.S. Commercial Service's Office in Hungary.

Market reports on agricultural issues are available from the U.S. Department of Agriculture's website at http://usembassy-vienna.at/USDA. Below is a partial list of available reports:

Livestock and Products Annual Report
Grain and Feed Revised Production, Supply and Distribution
Cotton Annual Report
Tobacco Annual Report
Oilseeds and Products Annual Report
Grain and Feed Annual Report
EU Accession Update
U.S. Disadvantaged by Preferential Tariffs
Exporter Guide to Hungary
Cereal and Corn Update
Rapeseed, Soybeans, and Sunflower Update
Fresh Deciduous Fruit Annual Report
Poultry Situation and Outlook
Livestock Annual Report

APPENDIX G

TRADE EVENT SCHEDULE

September 26-27, 2000	U. S. Embassy's Intellectual Property Rights Enforcement Conference
October, 2000	CompExpo's COMPFAIR 2000 – Budapest International Fair Center
October 2-5, 2000	Hungexpo's International Exhibition for Environmental Protection
October 4-8,2000	Hungexpo's Automobil - Autotechnika 2000
October 12, 2000	Trade and Investment in Hungary - U.S. Trade Development Agency sponsored conference in New York
October 17-20, 2000	Hungexpo's Budatranspack, International Packaging and Material Handling Trade Exhibition
October 17-20, 2000	Hungexpo's Printexpo, International Trade Exhibition for Printing Industry
October 18-21, 2000	Hungexpo's Hungaromed, International Trade Fair for Medical Technology and Health Care
November 28- Dec 1, 2000	Hungexpo's Foodapest 2000, International Food, Drink and Food Processing Trade Fair
March 4-7, 2001	Hungexpo's UKBA, International Trade Fair for the Confectionery, Bakery and Gastronomy
March 8-11, 2001	Hungexpo's Beauty and Health, International Trade Exhibition and Fair for Hairdressers, Hairdressing Accessories, Cosmetics, Bijouterie, Fashion and Healthy Lifestyle
	Hungexpo's Carat, International Trade Exhibition and Fair for Jewelry, Gems and Watches
	Hungexpo's ART Budapest • International Contemporary Art Fair
March 21-25, 2001	The U.S. Pavilion at UTAZAS, Travel-International Tourism Exhibition
March 23-26,2001	Hungexpo's Sport, International Sport and Leisure Time Fair

March 22-25, 2001	Hungexpo's Budapest Boat Show, International Boat Exhibition
	FeHoVa, Hunting, Fishing and Arms International Exhibition
April 3-6, 2001	Hungexpo's Mach-Tech, International Trade Exhibition of Machine Manufacturing Technology Chemexpo, International Trade Exhibition for Chemical Industry -
04. 03-06.	Agro + Mashexpo, International Agriculture and Agricultural Machinery Exhibition
April 24-28, 2001	U.S. Pavilion at Construma, International Trade Exhibition for Building Material, Construction Machinery, Sanitation, Heating and Air-Conditioning
June 6-9, 2001	Hungexpo's Securex, International Trade Exhibition of Labour Safety and Security Protection
May 8-12, 2001	Hungexpo's INFO, International Trade Fair for Information and Communication Technology
May 22-26, 2001	Hungexpo's Industria, International Industry Trade Fair
September 14-23, 2001	Hungexpo's BNV • Budapest International Fair for Consumer Goods
October 2-5, 2001	Hungexpo's Hungaromed, International Trade Fair for Medical Technology and Health Care
	Hungexpo's Promotion, International Marketing Communication Trade Fair
November 6-9, 2001	Hungexpo's Hungarodidact, International Trade Fair for Education, Educational Technology and Training
October 2-5, 2001	Hungexpo's Budatranspack, International Packaging and Material Handling Trade Exhibition
October 2-5, 2001	Hungexpo's Printexpo, International Trade Exhibition for Printing Industry
November 8-11, 2001	Hungexpo's Snow/Ho - Show, Rendez-Vous for winter sports fans
November 27-30, 2001	Hungexpo's C + D 2001, Central European Defense Equipment and

	Aviation Exhibition
October 17-21, 2001	Hungexpo’s Budapest Motor Show 2001, International Exhibition for Automotive Industry

Because trade event schedules may change, firms should consult the export promotion calendar on the NTDB or contact CS Budapest for the latest information. A schedule HungExpo’s trade shows can be found on their website at www.hungexpo.hu.