Doing Business in Hungary 2010 - Country Commercial Guide for U.S. Companies

Chapter 1: Doing Business in Hungary

Chapter 2: Political and Economic Environment

Chapter 3: Selling U.S. Products and Services

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

Chapter 5: Trade Regulations and Standards

Chapter 6: Investment Climate

Chapter 7: Trade and Project Financing

Chapter 8: Business Travel

Chapter 9: Contacts, Market Research and Trade Events

Chapter 10: Guide to Our Services

Return to table of contents

Chapter 1: Doing Business in Hungary

• Market Overview
• Market Challenges
• Market Opportunities
• Market Entry Strategy

Market Overview
Return to top

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

Recognizing the critical role transportation infrastructure plays in economic growth, the government has placed an emphasis on logistics and transportation as part of the EU-funded New Hungary Development Plan, together with other areas that will continue to improve the country's overall infrastructure, such as pollution control, renewable energy and healthcare.

Market Challenges
Return to top

Recent Financial Market Turmoil

Despite declining budget deficits over the past two years, concerns about Hungary's macroeconomic vulnerabilities – in particular its high debt-to-GDP ratio and external liability position - caused Hungary to become one of the first emerging markets to suffer from the fallout of the global financial crisis.

Investor risk aversion and global de-leveraging caused liquidity pressures in Hungary's financial markets and created significant stress in the government securities market. The de-leveraging contributed to a significant weakening of the forint, and on October 22, 2008, the Hungarian National Bank increased the policy rate by 300 basis points to fend off a potentially destabilizing swing in the exchange rate.

In late October 2008, Hungary concluded a USD 25.1 billion IMF/EU/World Bank loan package to help (i) reduce the government's financing needs and improve long-term fiscal sustainability; (ii) maintain adequate capitalization of the domestic banks and liquidity in domestic financial markets; and (iii) underpin confidence and secure adequate external financing.

The Hungarian government agreed to undertake a number of financial stability measures, and under the terms of the IMF Stand-By Agreement, has agreed to accelerate fiscal consolidation efforts in order to further reduce the 2009 budget deficit to 2.6 percent. Meanwhile, the National Bank has eased interest rates; the base rate stands now at 9.5 percent.

In January 2009, the government announced measures meant to address problem areas and spur jobs and growth, including a promise to cut payroll and social benefits costs. In April 2009, Hungary's new Prime Minister Gordon Bajnai initiated a crisis management program intended to achieve "short term crisis management, the long term improvement of the equilibrium of the budget, the sustainable stimulation of growth, and the long term restoration of confidence."

The Bajnai government's reform package, designed to help improve fiscal sustainability, included reforms to the pension and social welfare system, as well as changes to the public sector compensation system. In addition to cuts in discretionary spending, the government enacted tax reforms aimed at encouraging employment and growth by reducing the tax burden on labor, while remaining revenue neutral by offsetting tax cuts with increases in consumption and wealth-based taxes.

The government's tight fiscal policies and the gradual improvement in the global economic climate helped bolster market confidence, and the government has been able to return to the market for public sector financing. Significantly, in July 2009 the government successfully concluded a EUR 1 billion Eurobond auction. The narrowing current account deficit has also helped substantially ease government external financing requirements.

As of January, 2010, Hungary successfully completed four reviews under the IMF Stand-by Arrangement. As a result of the continued improvement in Hungary's external financing conditions, the government declined to draw the amount available to it from the IMF Stand-by Arrangement following the latest review.

Despite the improving macroeconomic situation, however, the global economic crisis has had a severe impact on the real economy, as sharply lower demand for Hungarian exports and a steep drop in domestic demand adversely impacted economic growth in Hungary. The unavailability of credit in the months following the onset of the crisis exacerbated the problem, particularly for small and medium sized businesses. A sharp contraction of 6.7 percent is expected for 2009 – more than twice the OECD average. The IMF estimates that growth is not expected to reach its estimated potential of 3 percent until 2011. Furthermore, the unemployment rate is expected to peak near 11 percent. As of late 2009, liquidity returned to the banking sector, but loan rates remain down, due to banks' tightening credit conditions and the high costs of forint denominated loans.

Business issues

Although Hungary can claim one of the lowest corporate tax rates in the EU (16 percent), the GOH introduced in 2006 a 4 percent "solidarity tax" as part of an austerity program designed to help Hungary attain macroeconomic conditions required for it to adopt the Euro. This, together with the substantial healthcare and other social benefits costs companies must bear, as well as local municipality taxes, makes the total tax rate for businesses one of the highest in Europe. In addition, public procurement and tendering can be difficult for U.S. companies to negotiate. Some projects, such as those funded by the EU, require participation by a European partner. Often there is a preference for products from companies long established in the market. The tendering process can be complex, with final decision-making criteria often opaque. Rule making and permitting, especially at the local level, can be bureaucratic, inefficient and inconsistent. Although Hungary adopted a market economy only 20 years ago, competition is fierce in virtually every sector. Many of the market leaders are from Western Europe (especially Germany, Hungary's leading trading partner), but increasingly Hungarian and Asian (e.g., Chinese) firms also play a formidable role in the economy. All companies must comply with standards, regulations and certification requirements of the EU, which Hungary joined in 2004. http://www.buyusa.gov/europeanunion

For more information on Hungary's regulations, please refer to Chapter 3, Selling U.S. Products and Services and Chapter 5, Trade Regulations and Standards.

Market Opportunities

Return to top

In spite of the many challenges that accompany the global economic crisis, Hungary remains an attractive market for U.S. investment and exports. Hungary's strategic location in Europe, access to EU markets, highly skilled and educated work-force, sound infrastructure and other advantages have led companies such as GE, Alcoa, AES, GM, IBM and many others to locate facilities here, both in manufacturing and services. Currently, there are 2000 partially owned, and 128 wholly owned US companies operating in Hungary.

Foreign direct investment (FDI) has helped modernize industries, create jobs, boost exports and spur economic growth. Cumulative FDI stock has totaled more than US $80 billion since 1989, the highest in the region on a per capita basis. Among the important sectors: automotive, IT, logistics and, more recently, shared services (e.g., back office and/or call center operations). All told, American companies have invested more than $9 billion in Hungary since 1989, making the U.S. the 4th-largest foreign investor behind Germany, Austria and the Netherlands. Meanwhile, U.S. exports to Hungary have topped US$1 billion dollars in each of the last five years, led by IT equipment, automotive components, industrial engines and other manufacturing supplies. U.S. exports to Hungary were US$1.29 billion in 2008, up slightly over 2007 exports of US$1.10 billion. January through November, 2009 export figures from the US to Hungary were US$1.02 billion.

Funding from the EU has also driven growth, and will continue to do so. Since 2004, EU funds have been used to improve telecommunications, energy and highway infrastructure. As part of a second National Development Plan (2007-2013), Hungary will allocate approximately €25 billion (US$36.8 billion) in projects ranging from tourism and transportation to healthcare and environment. For a complete listing of the most promising industries, please see Chapter 4, Leading Sectors for U.S. Export and Investment.

Market Entry Strategy

Return to top

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

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

Return to table of contents

Chapter 2: Political and Economic Environment

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

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

Return to table of contents

Chapter 3: Selling U.S. Products and Services

• Using an Agent or Distributor
• Data Privacy/Protection
• Establishing an Office
• Franchising
• Direct Marketing
• Joint Ventures/Licensing
• Selling to the Government
• Distribution and Sales Channels
• Selling Factors/Techniques
• Electronic Commerce
• Trade Promotion and Advertising
• Pricing
• Sales Service/Customer Support
• Protecting Your Intellectual Property
• Due Diligence
• Local Professional Services
• Web Resources

Using an Agent or Distributor

Return to top

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

Key Link: http://www.itd.hu

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

Distributors in Hungary can provide strategic support in positioning brands for the local market through advertising and promotional campaigns. Given their familiarity with local culture and business customs, distributors can also assist with after-sales service, which burnishes the U.S. firm's image. Citing heavy trading competition and Hungary's relatively small market, many distributors will negotiate for exclusivity, but U.S. firms can successfully insist on conditions for exclusivity or other concessions. Trade fairs are good places to look for distributors. A direct link to upcoming trade events for 2010 can be found in Chapter 9.

Hungarian firms often prefer the role of distributor for foreign firms, while private entrepreneurs prefer to act as agents on behalf of their international partners. Agents act on behalf of the U.S. exporter, but do not take title to goods or assume financial risk. Agents generally work on a commission basis.

Although the rate varies by industry, agents in Hungary typically earn a 7 to 10 percent sales commission depending on the value and nature of the product. Stocking distributors expect higher margins. The use of agents is more common in sectors where capital and technical expertise is paramount, such as machining, automation, tooling, and heavy industry. U.S. companies should meet personally with prospective agents to ensure all legal obligations are understood before signing an agreement. Note that a legally binding document can be in English or Hungarian, but in the event of commercial or tax dispute, an authenticated Hungarian version is the governing document.

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

EU REGULATIONS

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

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

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

Key Link:
http://eur-lex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf

The EU also looks to combat payment delays with Directive 2000/35/EC. This covers all commercial transactions within the EU, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this Directive. In sum, the Directive entitles a seller who does not receive payment for goods/services within 30-60 days of the payment deadline to collect interest (at a rate of 7 percent above the European Central Bank rate) as compensation. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs. The current legislation is undergoing review.

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2000:200:0035:0038:en:PDF
http://www.fenca.org/uploads/Surveys/late_payments_combating.pdf

Companies' agents and distributors can take advantage of the European Ombudsman when victim of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights.

Key Link: http://www.ombudsman.europa.eu/home/en/default.htm

Data Privacy/Protection

Return to top

EU REGULATIONS

The EU's general data protection Directive (95/46/EC) spells out strict rules concerning the processing of personal data. Businesses must tell consumers that they are collecting data, what they intend to use it for, and to whom it will be disclosed. *Data subjects* must be given the opportunity to object to the processing of their personal details and to opt-out of having them used for direct marketing purposes. This opt-out should be available at the time of collection and at any point thereafter. This general legislation is supplemented by specific rules set out in the "Directive on the processing of personal data and the protection of privacy in the electronic communications sector" (2002/58/EC). This requires companies to secure the prior consent of consumers before sending them marketing emails. The only exception to this opt-in provision is if the marketer has already obtained the intended recipient's contact details in the context of a previous sale and wishes to send them information on similar products and services.

Key Link: http://ec.europa.eu/justice_home/fsj/privacy/index_en.htm

Transferring Customer Data to Countries outside the EU

The EU's general data protection Directive provides for the free flow of personal data within the EU but also for its protection when it leaves the region's borders. Personal data can only be transferred outside the EU if adequate protection is provided for it or if the **unambiguous consent** of the data subject is secured. The European Commission has decided that a handful of countries have regulatory frameworks in place that guarantee the adequate protection of data transferred to them – the United States is NOT one of these.

The Department of Commerce and the European Commission negotiated the Safe Harbor agreement to provide U.S. companies with a simple, streamlined means of complying with the adequacy requirement. It allows those U.S. companies that commit to a series of data protection principles (based on the Directive), and who publicly state that commitment by "self-certifying" on a dedicated website, to continue to receive personal data from the EU. Signing up is voluntary but the rules are binding on those who do. The ultimate means of enforcing Safe

Harbor is that failure to fulfill the commitments will be actionable as an unfair and deceptive practice under Section 5 of the FTC Act or under a concurrent Department of Transportation statute for air carriers and ticket agents. While the United States as a whole does not enjoy an adequacy finding, transfers that are covered by the Safe Harbor scheme will. Companies whose activities are not regulated by the FTC or DoT (e.g. banks, credit unions, savings and loan institutions, securities dealers, insurance companies, not-for-profit organizations, meat packing facilities, or telecommunications carriers) are not eligible to sign up to the Safe Harbor.

EU based exporters or U.S. based importers of personal data can also satisfy the adequacy requirement by including data privacy clauses in the contracts they sign with each other. The Data Protection Authority in the EU country from where the data is being exported must approve these contracts. To fast track this procedure the European Commission has approved sets of model clauses for personal data transfers that can be inserted into contracts between data importers and exporters. The most recent were published at the beginning of 2005; work to update these and develop new ones is ongoing. Most transfers using contracts based on these model clauses do not require prior approval. Companies must bear in mind that the transfer of personal data to third countries is a processing operation that is subject to the general data protection Directive regardless of any Safe Harbor, contractual or consent arrangements.

EU countries' Data Protection Authorities (DPAs) and large multinational companies are also developing a third major approach to compliance with EU rules on transfers of personal data to countries outside the EU. This is based on country-by-country approval of "binding corporate rules" (BCRs). Companies that set up BCRs that satisfy European DPAs will be able to use the presumption of conformity that these approvals provide to transfer personal data from the EU to any location in the world – not just the United States. BCRs can be a tool for compliance with privacy rules on a global scale. The process of negotiation and approval of the BCRs is currently lengthy and complex, and has not been attempted by small or medium-sized companies.

Key Links:

http://www.export.gov/safeharbor/

http://ec.europa.eu/justice_home/fsj/privacy/modelcontracts/index_en.htm

http://ec.europa.eu/justice_home/fsj/privacy/workinggroup/wpdocs/2007_en.htm

Establishing an Office

Return to top

Registering a company in Hungary is relatively quick and efficient. As stipulated in the Act on the Registration of Companies (Act CXLV of 1997), a registration application for the establishment of a Limited Liability Company (Kft) or Limited Company (Rt) must be filed with the appropriate Hungarian Court of Registration, located in each county, within 30 days following the signing of the deed of foundation or the articles of association. If an official license is required for the establishment of the company, it must be attached to the application form. The company is established upon entry into the Companies Register as of the date of such entry. The court must decide on the application within 30 days. If the court fails to do so, the company will automatically be registered on the 39th day from the date of application. Should the court reject the application, the company must terminate its operation and its members are liable for its debts. It should be noted that companies are able to request tax and social security numbers at the same time they file the documents at the Court of Registration.

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 status, and 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. Since September 1, 2005, Kfts and Rts can file all applications electronically with the Court of Registration. Documents submitted electronically for company registrations or for changes in company data must be endorsed with a qualified electronic signature and time stamp.

According to Hungary's Branch Act, a commercial representative office is an organizational unit of a foreign enterprise and has no separate legal standing. A commercial representative office may begin operation once registered by the competent Court of Registration. The representative is restricted to two activities: (1) mediating and preparing trade contracts between foreign and Hungarian business organizations or private individuals and (2) promoting goods, services, and rights of the represented foreign company (e.g. at trade exhibitions).

Obtaining and renewing work and residence permits for Hungary has become increasingly onerous as the government attempts to crack down on illegal residents. As such, U.S. entities looking to set up businesses in Hungary are advised to seek assistance from attorney and accounting firms that specialize in this work. Lists of these firms may be obtained from the U.S. Commercial Service Budapest.

Franchising

Return to top

Currently, there are approximately 400 franchise operations in Hungary, half of which are foreign-owned. The U.S. hamburger chain McDonald's can be considered the "king" of fast-food franchisors in Hungary and Central Europe, as it has pursued a very successful transnational strategy. Others that have found success in the Hungarian market include Pizza Hut, Kentucky Fried Chicken, Burger King and Subway. Eastman Kodak, car rental companies Hertz, Avis and Budget, and porcelain refinishing franchisor Kott Koatings are also well established. The Re/MAX real estate franchise began to build its Hungarian network in 2006. CrestCom (management training) and FasTracKids (children education) franchises have also settled in Hungary. There have also been some franchising retreats from the Hungarian market, due to different tastes and practices in the Hungarian market. Dunkin' Donuts, Wendy's and New York Bagel are examples of U.S. companies with a short-lived presence in Hungary.

Relatively high interest rates and limited access to capital force successful franchisors to modify the typical American model to succeed in Hungary. McDonald's, the most successful and popular fast food franchisor in Hungary, uses multiple franchising techniques, often acting as – in essence – a real estate developer, purchasing land and buildings and assigning a partner to run and manage its restaurants. Another franchising technique frequently used involves the purchase of a master franchise by a company or group of private investors, who then own and operate most or all of the outlets. This is the model used by Burger King, Pizza Hut, and Kentucky Fried Chicken.

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

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

Direct Marketing Return to top

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

While associations such as DSA undertake their own efforts to protect consumers, Hungary also has consumer protection law (Act CLV of 1997 and Government Decree 370/2004) and a general Inspectorate for Consumer Protection (http://www.fvf.hu). According to the law, consumers must be properly informed about prices, quality, instructions for the use of goods and any hazards associated with such use, and delivery and packaging costs at the site of the sale. If these regulations are violated, the consumer may seek legal redress against the manufacturer, distributor, or direct marketer. Customers generally have the right to return goods without explanation within seven calendar days, and have the right to a full refund or appropriate exchange within 30 days, where provided for by contract. Promotional literature or mailings may not contain deceptive or misleading product descriptions, claims or illustrations and must include the name and address or telephone number of the company. E-mail sales efforts should be clearly identifiable to the consumer when received, and recipients can opt-out of future solicitations. When an order is placed, the service provider must quickly acknowledge receipt via email. The law does not cover the sale of goods at markets, fairs, and other public places. Direct marketing agents may not visit potential customers at their homes after 7:00 pm and before 9:00 am without prior notification and consent. The agent must prove identity by presenting a delegation authority or ID card.

EU REGULATIONS

There is a wide range of EU legislation that impacts the direct marketing sector. Compliance requirements are stiffest for marketing and sales to private consumers. Companies need to focus, in particular, on the clarity and completeness of the information they provide to consumers prior to purchase, and on their approaches to collecting and using customer personal data. The following gives a brief overview of the most important provisions flowing from EU-wide rules on distance selling and on-line commerce. It is worth noting that the WU is currently overhauling its consumer protection legislation. Companies are advised to consult the information available via the hyper-links in this chapter, to check the relevant sections of national Country Commercial Guides, and to contact the Commercial Service at the U.S. Mission to the European Union for more specific guidance.

Processing Customer Data:

The EU has strict laws governing the protection of personal data, including the use of such data in the context of direct marketing activities. For more information on these rules, please see the privacy section above.

Distance Selling Rules:

• Distance and Door-to-Door sales

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

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

• Distance Selling of Financial Services

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

Key Link: http://ec.europa.eu/consumers/cons_int/fina_serv/index_en.htm

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

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

Joint Ventures/Licensing

Return to top

Joint Ventures: In Hungary, the term "joint venture" commonly refers to any type of business association or company established under Hungarian law that is partially or wholly foreign-owned.

It is important to note that a "joint enterprise" under the Company Act is an entirely different entity.

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

Licensing: Paragraphs 27-30 in Section III of the Patent Act (No. XXXIII of 1995) govern license agreements relating to patents, designs, and utility models. Agreements on trademarks are governed by paragraphs 23-26 in Section IV of the Trademark Act (No. XI of 1997). Patent attorneys who can draft license agreements and take steps to record a license in the register of the Hungarian Patent Office can be found at:

Hungarian Bar Association: http://www.magyarugyvedikamara.hu/
Budapest Bar Association: http://www.bpbar.hu/html/index.php?load=site
Hungarian Patent Office: http://www.hpo.hu/English/hivatalrol/

Selling to the Government

Return to top

Hungary's Act CXXIX on Public Procurement of 2003 was last modified in April, 2009. The law regulates only the various forms of procedures, however, the national thresholds are always contained in the actual Budget Law. In case of a general, simplified procurement, from January 1, 2010, the national threshold for procurement of goods decreased from HUF 30 million (USD 161,290) to HUF 8 million (USD 43,010). With construction, the limit fell from HUF 90 million (USD 483,870) to HUF 15 million (USD 80,645), and with services from HUF 25 million (USD 134,408) to HUF 8 million (USD 43,010). The national threshold for construction concession remains HUF 100 million (USD 537,634) and HUF 25 million (USD 134,408) for services concession.

In case of special simplified public procurement, the national thresholds remained unchanged: HUF 50 million (USD 268,817) for procurement of goods and services, and HUF 100 million (USD 537,634) for construction investments.

The EU thresholds, require open tenders (published in TED – Tenders Electronic Daily) for purchases of goods and services (except in R&D and telecom) exceeding € 133,000 when procured by Hungary's Ministries, the Prime Minister's Office, or the Centralized Public Procurement Agency (CPA). For all other central or local government institutions, the open tender threshold for goods and services is €206,000. For construction and construction concession, the threshold is €5,150,000, regardless of which public entity.

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

Key Links:

TED –Tenders Electronic Daily, Official Journal of the European Union

http://ted.europa.eu/Exec?Template=TED/editorial_page.htm&DataFlow=ShowPage.dfl&StatLang=EN

Public Procurement Review www.kozbeszerzes.gov.hu

EU REGULATIONS

The EU public procurement market, including EU institutions and Member States, totals around EUR 1,600 billion. This market is regulated by three Directives:

- Directive 2004/18 on Coordination of procedures for the award of public works, services and supplies contracts, and
- Directive 2004/17 on Coordination of procedures of entities operating in the Utilities sector, which covers the following sectors: water, energy, transport and postal services.
- Directive 2009/81 on Coordination of procedures for the award of certain works, supply and service contracts by contracting authorities in the fields of defense and security (to be implemented in national laws of EU member states by mid-2011).

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

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

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

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

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

Distribution and Sales Channels Return to top

Budapest and its suburbs have become a preferred location for multinationals (e.g., GM/Opel, Ford, Pepsi, Coca-Cola, Hewlett-Packard, and AIG/Lincoln) to establish headquarters in Central and Southeast Europe. Nevertheless, while Hungary's retail and wholesale distribution operations are improving compared to Western Europe, weaknesses remain. For example, the trading company structure is relatively undercapitalized, and usually combines both retailing and wholesaling. In 2009, the overall volume of retail trade in Hungary decreased by 6 percent, down 4.2 percent from 2008. Retail growth is expected to stagnate and reach only 1 percent annual growth rate in 2010 due to the stagnating economy, lack of transparency, the central government's austerity measures, and increasing taxes.

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

Until recently, small, family-owned stores dominated Hungary's retail sector especially in the less populated parts of the country. Thousands of these stores continue to serve rural populations, posing logistical challenges for distributors and suppliers. However, medium-sized, financially well-established local chains are making inroads in Hungary's retail sector; such chains include Real, RealPont having close to 2,300 shops and CBA having 1,200 stores nationwide. Discount food chain stores have also burst onto the scene. Lidl has 72 stores nationwide, Penny Market 177, Spar/Interspar has 374, and Profi 1133.

Unlike the countryside, Budapest's retail sector has many superstores, shopping centers, hypermarkets, and supermarkets. Foreign chains include Auchan, Cora, and Bricostore (France); Metro, OBI, and Baumax (Germany); Lidl, Humanic, and KIKA (Austria); Ikea (Sweden); Match/Smatch (Belgium); and Penny Market, Marks & Spencer, and Tesco (UK).

Shopping malls have expanded rapidly. Twenty-five operated in Budapest by the end of 2008, compared to 31 in the smaller cities. Unfortunately, due to the economic stagnation, only one new shopping mall construction project was completed in Budapest in 2009, the other two shopping malls were postponed to 2010. Budapest's largest mall is Arena Plaza, with 64,000 sq m, followed by Mammut I+II, with 56,200 sq m and Market Central (AIG/Lincoln investment project) with 44, 000 sq m. Between 2005 and 2009 four up-scale malls with large movie theaters with IMAX capabilities opened in Budapest: Recsei Center, Mammut II, Arena and Sugar. Malls have also opened in countryside cities such as in Szeged, Gyor, Debrecen, Pecs, Miskolc, Nagykanizsa, Kaposvár, Zalaegerszeg, Szekesfehervar, and Kecskemet.

Although Hungary is still largely a cash economy, the number of bank cards (such as Visa and Mastercard) and credit cards issued by commercial banks has grown significantly in recent years. The use of bankcards has risen from 31 percent (2003) to 57 percent (2007). Particularly in cities, consumers tend to use credit cards in malls, superstores, and supermarkets. Checks are not used at all. A wide and reliable network of automatic teller machines (ATMs) operates throughout Hungary.

Selling Factors/Techniques

Return to top

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

U.S. companies should also be aware that access to capital is limited for many Hungarian firms. With an inflation rate in 2009 at 4.2 percent in Hungary and bank lending rates between 9 and 20 percent, some Hungarian companies and their customers cannot easily finance purchases locally. Most Hungarian firms are too small to offer stock or issue commercial paper. As a result, business, including paying for imports, largely depends on self-financing. U.S. companies can mitigate financing risks and better compete with EU firms by directing their Hungarian customers to services like those of the U.S. Export-Import Bank.

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

Electronic Commerce

Return to top

Citing the boost e-commerce could give Hungary's productivity and innovation, the National Development Plan places a high priority on advancing this sector. To this end, the Hungarian Government instituted Law CVIII (17/1999(II.5.)) in 2001, which opens up e-commerce competition by eliminating differences between domestic and EU-based vendors. See below for further information on EU law regarding e-commerce.

Due to a lingering distrust of e-payments, e-commerce had a slow start in Hungary and continues to lag behind Western Europe. The most developed segment, however, is e-banking. The number of Hungarians using online banking services reached 2 million in March 2009 according to the National Bank of Hungary. Business-to-Consumer (B2C) e-commerce represents 0.5 percent of Hungary's retail trade compared to 1.8-2.0 percent in the EU 15 countries. In 2008, B2C e-commerce was estimated to reach USD 233-291 million (excluding tourist services and air ticket sales). Figures on E-services are not available, but experts estimate that turnover of online sale of insurance, air tickets, hotel reservation, cinema, theatre and concert tickets equal to that of web shops. In 2009, B2C e-commerce is expected to amount to HUF 95 billion (USD 468 million). According to industry sources, 80 percent of Hungary's e-commerce revenue is made by the 20 major players of its roughly 2,400 B2C companies. Books, office supplies, CDs, DVDs, IT and telecommunications equipment, food and apparel generate the most business.

Key Links:
www.ivsz.hu Association of Hungarian IT companies
www.marketline.hu Electronic marketplace

EU REGULATIONS

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

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

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

Trade Promotion and Advertising

Return to top

Trade promotion is critical for success in Hungary. Exhibiting in and attending trade and scientific shows and seminars, both international and local, can help U.S. companies reach their target audience. Distributors in Hungary often advertise in trade journals and professional industry-focused newspapers to reach their target market and audience. Trade associations offer high quality publicity among their members and low cost web advertising on the association's website. Partnering with Hungarian universities such as technical or economic universities (www.elte.hu, http://portal.bme.hu/langs/en/default.aspx, www.uni-corvinus.hu, www.sze.hu) also offers a vehicle for trade promotion.

Specialized, sector-specific trade shows have become increasingly common, popular and well-attended in Hungary. These sectors include: IT, environmental technologies, consumer electronics, energy, automotive, agri-business, franchising, travel and tourism and building products. See the section on Trade Events in Chapter 9 for listings.

After the brand-building boom of the 90s, the advertising market in Hungary is rather stable. Television remains the most important and influential medium for advertising, followed by printed, radio and internet media. Internet advertising is developing in the market dynamic while outdoor (billboard) advertising fell by nearly 30 percent in 2009 compared to 2008 figures.

The legal framework for advertising are laid down in the 2008 XLVIII Advertising Law effective as of March 1st, 2009. Important restrictions are:

- Advertising prescription drugs, vaccines, and over-the-counter preparations subsidized from social security funds is prohibited.

- Advertising arms, munitions and tobacco products is banned, including a ban of sponsorship on international sports and cultural events. Warnings on the unhealthy effects of smoking should cover at least 30 percent of the advertising surface. These products can be advertised with strict restrictions at the point of sales. No image advertising is allowed, only pack-related, product information like the name and the price of it is allowed. Tobacco companies are required to publish advertising sources they had used in the previous calendar year until 31st March of the current year.

- Alcohol advertisements must not target kids and teenagers and must not link consumption to enhanced physical performance, social or sexual success. Advertising of alcohol is forbidden in movie theaters before 8:00 pm. Furthermore it must not claim that it is a stimulant, a sedative or a means of resolving personal conflicts.

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

Following is a list of exhibition and media companies:

Hungexpo Rt. (fair organizer) http://www.hungexpo.hu/?_nyelv_=en
ElitExpo Kft. (fair organizer) http://www.elitexpo.com/
Budapest Business Journal (weekly and daily papers) http://www.bbj.hu/
Diplomacy and Trade (monthly magazine) http://www.dteurope.com/
Budapest Sun (daily) http://www.budapestsun.com/
Budapest Times (weekly) http://www.budapesttimes.hu/
Nepszabadsag – People's Freedom (daily) http://www.nol.hu/index.html
Magyar Hirlap – Hungarian Newspaper (daily) http://www.magyarhirlap.hu/
Magyar Nemzet – Hungarian Nation (daily) http://www.mno.hu/
Vilaggazdasag – World Economy (daily) www.vg.hu
Napi Gazdasag – Daily Economics (daily) http://www.napi.hu
Weekly World Economy – http://www.hvg.hu/english.aspx
Info on BSP http://www.buyusa.gov/hungary/en/business_network.html
Info on FUSE http://www.buyusa.gov/hungary/hu/fuse.html

EU REGULATIONS

General Legislation

Laws against misleading advertisements differ widely from Member State to Member State within the EU. To respond to this imperfection in the Internal Market, the Commission adopted a Directive, in force since October 1986, to establish minimum and objective criteria regarding truth in advertising. The Directive was amended in October 1997 to include comparative advertising. Under the Directive, misleading advertising is defined as any "advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which for those reasons, injures or is likely to injure a competitor." Member States can authorize even more extensive protection under their national laws.

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

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

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

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

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

Medicine

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

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

Key Link:
http://ec.europa.eu/enterprise/sectors/medical-devices/index_en.htm

Nutrition & Health Claims

On July 1, 2007, a new regulation on nutrition and health claims entered into force. Regulation 1924/2006 sets EU-wide conditions for the use of nutrition claims such as “low fat” or “high in vitamin C” and health claims such as “helps lower cholesterol”. The regulation applies to any food or drink product produced for human consumption that is marketed on the EU market. Only foods that fit a certain nutrient profile (below certain salt, sugar and/or fat levels) will be allowed to carry claims. Nutrition and health claims will only be allowed on food labels if they are included in one of the EU positive lists. Food products carrying claims must comply with the provisions of nutritional labeling directive 90/496/EC. From 2010, only nutrition clams in the Annex will be allowed.

The development of nutrient profiles, originally scheduled for January 2009, is being delayed due to the 2009 Parliamentary elections and the appointment of a new Commission. Once they have been set, there will be another two-year period before the nutrient profiles begin to apply to allow food operators time to comply with the new rules. Nutrition claims can fail one criterion, i.e. if only one nutrient (salt, sugar or fat) exceeds the limit of the profile, a claim can still be made provided the high level of that particular nutrient is clearly marked on the label. For example, a yogurt can make a low-fat claim even if it has high sugar content but only if the label clearly states “high sugar content”. Health claims cannot fail any criteria.

The deadline of January 31, 2010, for compiling a list of well-established health function claims such as ‘calcium is good for your bones’ will not be met due to the vast amount of applications that have to be screened by EFSA. Disease risk reduction claims and claims referring to the health and development of children will require an authorization on a case-by-case basis, following the submission of a scientific dossier to EFSA. A simplified authorization procedure has been established for health claims based on new scientific data. GAIN Report E48055 describes how application dossiers for authorization of health claims should be prepared and presented. A guidance document on how companies can apply for health claim authorizations can be downloaded from EFSA’s website at:

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

Key Links:
http://www.efsa.europa.eu/EFSA/efsa_locale-1178620753812_1178620835814.htm

Food Supplements

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

Key Link: http://useu.usmission.gov/agri/foodsupplements.html

Tobacco

The EU Tobacco Advertising Directive bans tobacco advertising in printed media, radio, and internet as well as the sponsorship of cross-border events or activities. Advertising in cinemas and on billboards or merchandising is allowed though these are banned in many Member States. Tobacco advertising on television has been banned in the EU since the early 1990s and is governed by the TV without Frontiers Directive.

Key link: http://ec.europa.eu/health/ph_determinants/life_style/Tobacco/tobacco_en.htm

Pricing

Return to top

Hungarian businesses tend to be price conscious. Success for U.S. exporters requires a flexible pricing strategy, by working with Hungarian representatives to keep import costs low.

Hungary has progressively reduced its tariffs on U.S. goods, thanks in large part to the 2002 U.S.-Hungary Trade Agreement and also Hungary's adoption of the European Common External Tariff (CET or CXT), resulting in an average tariff level of 3 percent. The CET also increases transparency and eases the administration of Hungarian customs clearance.

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

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

EU-oriented reforms have removed price controls on most utilities. In the past few years, the Hungarian Government largely deregulated utilities and has brought up, or at least come closer, to EU pricing levels for electricity, gas and wastewater prices, which resulted in a significant price increase both for households and businesses. However, as these utility service providers actually serve certain geographical regions, there usually no option to switch to another service provider, though in some instances there is another service provider with a concession contract with the local gas or electricity works. Local municipalities can make concession contracts for selling a certain percentage of gas or electricity supplies to another provider for 10-20 years but in most instances it does not end in real competition between the original gas or electricity service provider and the one which has won the concession contract. Real competition is going on in some other service sectors such as telecommunications, cable or digital TV services where customers are actually fought for by service providers.

Sales Service/Customer Support

Return to top

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

EU REGULATIONS

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

Product Liability

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

Key link:

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

Product Safety

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

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

Legal Warranties and After-sales Service

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

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

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

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

HUNGARIAN REGULATION

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

Protecting Your Intellectual Property

Return to top

Introduction

Several general principles are important for effective management of intellectual property rights in Hungary or the EU. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Hungary and the EU than in the U.S. Third; rights must be registered and enforced in Hungary, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can often provide a list of local commercial-oriented lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Hungary. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as status of limitations or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Hungary require constant attention. Work with legal counsel familiar with Hungarian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions. It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Hungary or U.S.-based.

These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- American Chamber of Commerce in Hungary (AmCham Hungary)

- Business Software Alliance (BSA)

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
    - For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
    - For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on** www.stopfakes.gov**.**

IPR Climate in Hungary

Information on IPR in Hungary can be obtained from the USTR (United States Trade Representative) Special 301 Report, available at ustr.gov Also helpful is the Hungarian Patent Office website http://www.hpo.hu/English/hivatalrol/.

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

From the Special 301 Report (2009): Hungary will remain on the Watch List in 2009. Hungary's National Board Against Counterfeiting and Piracy, established in January 2008, has promoted collaboration on IPR issues between the Government and the private sector, and issued a two-year IPR strategy to combat counterfeiting and piracy. The United States urges Hungary to take concrete steps to implement its IPR strategy and to improve its IPR enforcement regime. Further improvements are needed to ensure that prosecutors follow through with cases against IP infringers, and that 27 judges are encouraged to impose deterrent-level sentences for civil and criminal IP infringement. U.S. copyright industries also report that Internet piracy in Hungary is a major problem, and note that the Hungarian Government should provide adequate resources to its law enforcement authorities to combat IPR crime, especially on the Internet. The United States will continue to work with the Hungarian Government to address these IPR concerns.

Worldwide IP office contact information from the World Intellectual Property Organization can be found at the following website: http://www.wipo.int/directory/en/urls.jsp.

EU REGULATIONS

Copyright:

The EU's legislative framework for copyright protection consists of a series of Directives covering areas such as the legal protection of computer programs, the duration of protection of authors' rights and neighboring rights, and the legal protection of databases. Almost all Member States have fully implemented the rules into national law; and the Commission is now focusing on ensuring that the framework is enforced accurately and consistently across the EU.

Key Link: http://ec.europa.eu/internal_market/copyright/documents/documents_en.htm

The on-line copyright Directive (2001/29/EC) addresses the problem of protecting rights holders in the online environment while protecting the interests of users, ISPs and hardware manufacturers. It guarantees authors' exclusive reproduction rights with a single mandatory exception for technical copies (to allow caching), and an exhaustive list of other exceptions that individual Member States can select and include in national legislation. This list is meant to reflect different cultural and legal traditions, and includes private copying "on condition right holders receive fair compensation."

Key Link: http://eur-lex.europa.eu/pri/en/oj/dat/2001/l_167/l_16720010622en00100019.pdf

Patents:

EU countries have a "first to file" approach to patent applications, as compared to the "first to invent" system currently followed in the United States. This makes early filing a top priority for innovative companies. Unfortunately, it is not yet possible to file for a single EU-wide patent that would be administered and enforced like the Community Trademark (see below). For the moment, the most effective way for a company to secure a patent across a range of EU national markets is to use the services of the European Patent Office (EPO) in Munich. It offers a one-stop-shop that enables rights holders to get a bundle of national patents using a single application. However, these national patents have to be validated, maintained and litigated separately in each Member State.

Key Links: http://ec.europa.eu/internal_market/indprop/index_en.htm
http://www.european-patent-office.org/

Trademarks:

The EU-wide Community Trademark (CTM) can be obtained via a single language application to the Office of Harmonization in the Internal Market (OHIM) in Alicante, Spain. It lasts ten years and is renewable indefinitely. For companies looking to protect trademarks in three or more EU countries the CTM is a more cost effective option than registering separate national trademarks.

On October 1, 2004, the European Commission (EC) acceded to the World Intellectual Property Organization (WIPO) Madrid Protocol. The accession of the EC to the Madrid Protocol establishes a link between the Madrid Protocol system, administered by WIPO, and the Community Trademark system, administered by OHIM. As of October 1, 2004, Community Trademark applicants and holders are allowed to apply for international protection of their trademarks through the filing of an international application under the Madrid Protocol. Conversely, holders of international registrations under the Madrid Protocol will be entitled to apply for protection of their trademarks under the Community Trademark system.

Key Links: http://oami.europa.eu/
http://www.wipo.int/madrid/en

Designs:

The EU adopted a Regulation introducing a single Community system for the protection of designs in December 2001. The Regulation provides for two types of design protection, directly applicable in each EU Member State: the registered Community design and the unregistered Community design. Under the registered Community design system, holders of eligible designs can use an inexpensive procedure to register them with the EU's Office for Harmonization in the Internal Market (OHIM), based in Alicante, Spain. They will then be granted exclusive rights to use the designs anywhere in the EU for up to twenty-five years. Unregistered Community designs that meet the Regulation's requirements are automatically protected for three years from the date of disclosure of the design to the public.

Key Link: http://oami.europa.eu/

Trademark Exhaustion:

Within the EU, the rights conferred on trademark holders are subject to the principle of "exhaustion." Exhaustion means that once trademark holders have placed their product on the market in one Member State, they lose the right to prevent the resale of that product in another EU country. This has led to an increase in the practice of so called "parallel importing" whereby goods bought in one Member State are sold in another by third parties unaffiliated to the manufacturer. Parallel trade is particularly problematic for the research-based pharmaceutical industry where drug prices vary from country to country due to national price Regulation.

Community wide exhaustion is spelled out in the Directive on harmonizing trademark laws. In a paper published in 2003, the Commission indicated that it had no plans to propose changes to existing legal provisions.

Key Link: http://ec.europa.eu/internal_market/indprop/tm/index_en.htm

Due Diligence

Return to top

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

Local Professional Services

Return to top

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

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

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

Relocation:
Move One: http://www.moveone.info
Inter Relocation: http://www.interrelo.com

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

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

Logistics and industrial parks:
ProLogis Budapest: http://www.prologiseurope.com/hungary_home.php
AIG Lincoln Hungary: http://www.aiglincoln.hu
Waberer's Group: http://www.waberers.hu/en/index
Hungarian Logistics Association: http://mle.hu/startpage
Association of Hungarian Industrial Parks: http://www.datanet.hu/ipe

IT service providers:
Synergon Informatika Rt.: http://www.synergon.hu/en/
Montana IT es Kommunikacios Rt.:http://www.montana.hu
AlbaComp Rt.: http://www.albacomp.hu/index.php?lang=en

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

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

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

For information on professional services located within each of the EU member states, please see EU Member State Country Commercial Guides which can be found at the following website EU Member States' Country Commercial Guides.

Web Resources

Return to top

U.S. Commercial Service, Budapest, Hungary: http://www.buyusa.gov/hungary/en/
American Chamber of Commerce Hungary: http://www.amcham.hu/
Association of Hungarian IT companies: http://www.ivsz.hu
Int'l Trade Development Agency: http://www.itdh.com/engine.aspx?page=Itdh_Befektetes
Association of Hungarian Automotive Industry: http://www.gepjarmuipar.hu/index2.php?lang=en
TextileForum - Business Opportunities in Hungary in Apparel, Leather and Footwear Industry: http://textilforum.cel.hu/index_en.htm
Hungarian Customs and Finance Guard - Customs information:
http://vam.gov.hu/welcomeEn.do
National Bank of Hungary: http://english.mnb.hu/Engine.aspx
Hungarian Franchise Association: http://www.franchise.hu
National Development Agency: http://www.nfu.hu/?lang=en
Association of Hungarian IT companies: http://english.ivsz.hu/engine.aspx?page=ivsz_en
National Procurement Agency - Public Procurements Opportunities:
http://www.kozbeszerzes.hu/index.php?akt_menu=214&PHPSESSID=2710fa448f08d2b58e2a862c841fcbfe
Joint Venture Association: http://www.jointventure.hu/en/index.html
Ernst & Young: http://www.ey.com/HU/hu
Squire, Sanders & Dempsey LLP, Komaromi & Eros: http://www.ssd.com/
Information on Import licensing:
http://ec.europa.eu/taxation_customs/dds/dds2/DDS2.htm
Trademarks and Designs Registration Office of the European Union Key Link:
http://oami.europa.eu/

EU websites:

Coordination of the laws of the Member States relating to self-employed commercial agents (Council Directive 86/653/EEC):
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML

Agreements of Minor importance which do not appreciably restrict Competition under Article 81(1) of the Treaty establishing the European Community
http://eur-lex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf

Regulation on late payment:
http://ec.europa.eu/enterprise/policies/single-market-goods/documents/late-payments/index_en.htm

European Ombudsman: http://www.ombudsman.europa.eu/home/en/default.htm

EU's general data protection Directive (95/46/EC):
http://ec.europa.eu/justice_home/fsj/privacy/index_en.htm

Safe Harbor: http://www.export.gov/safeharbor/

Information on contracts for transferring data outside the EU:
http://ec.europa.eu/justice_home/fsj/privacy/modelcontracts/index_en.htm

Data Protection Working Group:
http://ec.europa.eu/justice_home/fsj/privacy/workinggroup/wpdocs/2007_en.htm

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

Distance Selling of Financial Services:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0065:EN:NOT

E-commerce Directive (2000/31/EC):
http://ec.europa.eu/internal_market/e-commerce/index_en.htm

VAT on Electronic Service:
http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/e-services/index_en.htm

The Unfair Commercial Practices Directive:
http://ec.europa.eu/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm

Information to Patients - Major developments:

Provisions of Nutritional Labeling: Nutritional labeling directive 90/496/EC

EU-27 FAIRS Subject Report Health Claims - EU Authorization Procedure 2008:
GAIN Report E48055

Guidance document on how companies can apply for health claim authorizations:

Health & Nutrition Claims: http://ec.europa.eu/food/food/labellingnutrition/claims/index_en.htm

Tobacco: http://ec.europa.eu/health/ph_determinants/life_style/Tobacco/tobacco_en.htm

Product Liability:

http://europa.eu/legislation_summaries/consumers/consumer_safety/l32012_en.htm

Product Safety: http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm

Legal Warranties and After-sales Service:
http://ec.europa.eu/comm/consumers/cons_int/safe_shop/guarantees/index_en.htm

Copyright: http://ec.europa.eu/internal_market/copyright/documents/documents_en.htm

Industrial Property: http://ec.europa.eu/internal_market/indprop/index_en.htm

European Patent Office (EPO): http://www.european-patent-office.org

Office for Harmonization in the Internal Market (OHIM): http://oami.europa.eu/

World Intellectual Property Organization (WIPO) Madrid: http://www.wipo.int/madrid/en

Directive on harmonizing trademark laws:
http://ec.europa.eu/internal_market/indprop/tm/index_en.htm

U.S. websites:

IPR Toolkit: http://www.buyusa.gov/europeanunion/ipr.html
EU Public Procurement: http://www.buyusa.gov/europeanunion/eu_tenders.html
Food supplements: http://useu.usmission.gov/agri/foodsupplements.html
Local Professional Services: http://www.buyusa.gov/europeanunion/services.html.
EU Member State Country Commercial Guides - Market Research Library: EU Member States' Country Commercial Guides

Return to table of contents

Return to table of contents

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

Commercial Sectors

• Computer Hardware (CPT) and Computer Software (CFS)
• Franchising (FRA)
• Logistics (TRN)
• Medical Equipment (MED)
• Pollution Control (POL)
• Renewable Energy (REQ)
• Safety and Security (SEC)
• Travel and Tourism Services and Investment (TRA)

Agricultural Sectors

• Soybean Meal
• Bovine Semen
• Poultry Breeding Stock
• Dried fruits and nuts

Commercial Sectors

Return to top

Computer Hardware (CPT) and Computer Software (CSF)

Overview

Return to top

Computer Hardware	*2008*	*2009*	*2010 (est.)*
Total Market Size (in USD millions)	1,549	1,149	1,160

Source: IDC Hungary

Packaged Software	*2008*	*2009*	*2010 (est.)*
Total Market Size (in USD millions)	738	698	701

Source: IDC Hungary

In 2009, the total Hungarian IT market of USD 2.88 billion decreased by 15 percent; the sale of hardware products fell by 26 percent, that of the software products by 6 percent and the services market shrunk by 5 percent. In 2010, within the stagnating IT market only the sale of hardware products is expected to increase, the software market will stagnate, whereas the services market will even decrease by 1 percent. IDC Hungary expects a 4-5 percent increase of the IT market in 2011 reaching the 2008 level by 2012.

A joint survey of IDC Hungary and Microsoft Hungary showed that the hardware market still represents 40 percent of the total IT market, whereas the software market amounts to 24 percent and services to 36 percent. The structure of the market will not change in 2010.

Best Prospects/Services

Return to top

Hardware market:

- Smart phones
- Increasing need for mobility driving the notebook and netbook market
- PCs (increased demand generated by the Windows 7 upgrade starting from 2nd- half of 2010)
- Blade servers linked to server virtualization
- NAS based storage devices (increased demand also from the SME segment)
- Wi-Fi enabled printers and Multifunction Printers (MFPs)
- 3rd party consumables for printers, MFPs, copiers

Software market:

- Business intelligence (reporting tools and analytical applications, in particular)
- Virtualization (desktop virtualization in the finance sector, server virtualization in medium businesses)
- IT security software (Data Loss Prevention (DLP), identity and access management, security and vulnerability management, in particular)
- Middleware (Integration and Business Process Management suites, and enterprise portals)
- Storage software (archiving and storage infrastructure management)

Opportunities

Return to top

Within the second, so called "New Hungary" National Development plan EU funds are available until Dec. 31, 2010 for the technology development of SMEs from tenders issued in 2009 but extended. Funds from the Economic Operative Programs GOP 2.2.1 (HUF 4.45 billion= USD 22 million) and GOP 2.2.3 (HUF 3.45 billion =USD 17 million) can be spent on the procurement of enterprise work flow management software and e-commerce solutions.

In 2010 new tenders will be issued in March and May and will be open for two months:
GOP 2.1.1./B in worth of HUF 13 billion (USD 64 mn) for technology development
GOP 2.1.1./C in worth of HUF 9,45 billion (USD 47 mn) for technology development
GOP 3.4.1. in worth of HUF 16 billion (USD 79 mn) for establishing Enterprise ASP centers

Resources

Return to top

Association of Hungarian IT companies: www.ivsz.hu
International Data Corp. Hungary Offices: http://www.idchungary.hu
Szamitastechnika (Computerworld) Magazin (weekly): www.computerworld.hu
IT-Business (weekly magazine): www.it-business.hu
European Information Technology Observatory: www.eito.org
National Development Office: www.nfh.hu

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Franchising (FRA)

Overview [Return to top]

The Hungarian Franchise Association estimates that there are about 400 franchise systems in Hungary, representing approximately 10 percent of the retail sector. About half of the franchises are foreign owned; about 25 percent of foreign-owned franchises are American, while EU countries, especially Germany, hold the remainder. According to the Franchise Association, the share of retailing franchises is increasing, up 10 percent in recent years. Currently, fast-food establishments are the leading sector in Hungary. McDonald's, Burger King, Pizza Hut, Kentucky Fried Chicken and Subway are well-represented with approximately 150 restaurants, mainly in Budapest. Other American franchises include Kott Koating's porcelain finishing, Eastman Kodak, Curves, car rental companies such as Hertz, Avis and Budget, CrestCom (management training), FasTracKids (children education) and Dale Carnegie. Best Western, Holiday Inn and Marriott are also present in the market. The Re/MAX real estate franchise began building its Hungarian network in 2006 and is expanding rapidly. It had 45 affiliate members by the end of December 2009. The most successful franchisor in Hungary is McDonald's, with 100 corporately-owned and franchised units countrywide, including 52 in Budapest.

Major third country franchises include those from Germany (Alois Dallmayr vending machines, OBI do-it-yourself chain, High-Care cosmetics), Belgium (Photo Hall, photo development and electronic equipment), and France (hotels Mercure and Ibis). Costa Coffee (UK) and Coffeeshop (Austria) are in the phase of expansion in Hungary.

Best Prospects/Services [Return to top]

Franchising will likely play a key role in modernizing the service sector. It is a relatively new concept in Hungary that could bring needed improvements in different services, i.e. property management, home maintenance, parking facilities, laundry services, passenger and cargo transportation, and travel and tourism. Industry experts suggest that the best franchising models for the Hungarian market are home-based, lower capital franchises that focus on well educated, highly motivated Hungarians who have a natural inclination toward entrepreneurship but lack financing. They might be well adapted to such businesses as equipment and home maintenance, and laundry and cleaning services, among others.

Opportunities [Return to top]

The greatest opportunities are available in the service sector because the Hungarian government encourages small and medium size enterprises (SME) to play a major role in its development. As part of Hungary's National Development Plan, SME development and growth is a priority. Within the SME development program, some subsidies are available indirectly from EU funds to both franchisors and franchise licensees. To apply for funding, the franchise partner and master licensee can be a local entrepreneur, an American-Hungarian joint venture, or foreign owned company, and must establish a company and register with the Court of Registration.

There are various franchise-related exhibitions to promote U.S. concepts, including the annual International Franchise Exhibition and BuyBrand Show, taking place in November 2010.

Resources [Return to top]

- http://www.dakexpo.com International Franchise Expo BuyBrand Show
- http://www.franchise.hu Hungarian Franchise Association
- http://www.nfu.hu National Development Office
- http://www.franchisecentrum.hu/index.htm Franchise Centrum
- http://www.franchiseportal.hu Franchise Portal

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Logistics (TRN)

Overview Return to top

Improving Hungary's transportation infrastructure is a government priority. The Ministry of Transportation designated eleven logistical regions and thirteen logistics centers in Hungary, which are classified as nationally important. Improved road access around Budapest, primarily the M0 ring road, is almost complete. The Hungarian logistics market grew at 10-20 percent annually and accounted for roughly five percent of GDP until 2008. In parallel with the economic crises in 2009, output of the logistics sector decreased approximately 10 percent last year.

As logistics is one of the major industry sectors of national priority, the government has created a Logistics Action Plan, according to which Hungary becomes a dominant logistics service provider in the Central and Eastern European region by 2013. The plan contains instructions and funding for modernizing transportation infrastructure, including – among others - a logistics center at Zahony (East-Hungary) which serves as a Schengen border: 23 percent of the goods to and from eastern destinations (Russia, China) are crossing the Hungarian border here.

The largest Hungarian players in the sector include the Hungarian Post and transportation companies Waberer and Masped. Some major foreign providers are Deutsche Post World Net (DPWN) from Germany, Hodlmayr from Austria and ProLogis from the United States. There are two American companies in Hungary that run logistics centers and provide high value-added logistics services: National Instruments in Debrecen (East Hungary) and General Electric in Nagykanizsa (South West Hungary).

Best Prospects/Services Return to top

Logistics and transportation services are one of the four main industry sectors supported by the state. The National Development Plan will provide funds to execute the programs that are classified strategically important.

The following plans are designated priorities for the sector:

- Develop a network of logistics centers and modern, combined transport terminals to increase the share of environment friendly transportation;
- Develop basic infrastructure of public ports along the Danube river;
- Develop international airports with regional importance;
- Use ITS (Intelligent Transport System) networks to make transportation of people and goods more effective.

Resources Return to top

www.mle.hu Hungarian Logistics Association

www.kti.hu Institute of Transport Sciences
www.nfu.hu National Development Office
www.nfgm.gov.hu Ministry for National Development and Economy
www.khem.gov.hu Ministry of Transportation, Telecommunication and Energy
www.logsped.hu Logistics News (Online News)
www.itd.hu Hungarian Investment & Trade Development Agency

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Medical Equipment (MED)

Overview Return to top

	2008	*2009(est.)*	*2010 (est.)*
Total Market Size (in USD millions)	591	600	600

Source: estimates of the Association of M edical Devices Manufacturers and Distributors

According to the Ministry of Health's new "Safety and Partnership" Program, Hungary plans to spend about USD 2 billion from EU Structural Funds to modernize healthcare infrastructure over the period of 2007-2013. According to government priorities, this includes the National Anti-Cancer Program to increase cancer screening and improve oncology centers; the Cardiovascular Program and the National Emergency Care Program to improve the ambulance network and increase IT-back-up.

Imports dominate the very competitive Hungarian market for medical supplies and equipment. Imports represent about 85-90 percent of total spending; the other 10-15 percent is spent on locally produced equipment and supplies. According to the estimates of the Association of Medical Technology in Hungary, some 25 percent is spent on high-value equipment, some 30 percent for rehabilitation products and the rest for medical equipment and hospital supplies.

The Hungarian market is very receptive to high quality U.S. medical equipment. As Hungarian health care is widely felt to be under-financed, foreign companies have a competitive edge if they offer financing. The import of medical products is fully liberalized. American companies face stiff competition from West European companies in Hungary. German, Austrian, Italian and British firms have been present for many years in the market. Germany has been the sales leader for decades with over 20 percent market share in the overall medical market.

Best Prospects/Services Return to top

Products to be procured in the framework of priority healthcare development projects (see "Opportunities") include: ultrasound equipment, digital X-ray, MR, CT, nuclear imaging (PET, Gamma Camera), monitoring equipment, laboratory diagnostics, clinical chemistry, imaging diagnostics

New Tenders can be expected in 2010-2011.

Opportunities Return to top

Funding from EU structural funds (for the period of 2007-2013) used for priority healthcare developments projects provide opportunities for U.S. medical equipment suppliers. These priority areas include:

- Development of outpatient clinics (Funds for 16 regional outpatient clinics already approved)
- Development of one-day surgery (Funds for 7 hospitals already approved)
- "Healthcare Pole Project" - Development of "high priority hospitals" for the regions (Funds for 7 hospitals already approved)
- Upgrade of emergency care (ER)

Resources Return to top

Ministry of Health http://www.eum.hu/english

Association of Medical Devices Manufacturers and Distributors
http://www.amdm.hu/?page_id=24&lang=en

Authority for Medical Devices
http://www.eekh.hu/en/index.php?option=com_content&task=blogcategory&id=14&Itemid=28

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Pollution Control (POL)

Overview Return to top

	2007*	2008*	2009**
USD/HUF Exchange Rate	183,83	171,8	218,19
Total Market Size / mil HUF	205 433	227 051	249 756
Total Market Size / mil USD	1 118	1 322	1 145

*Source: Hungarian Central Statistical Office

**estimate

Hungary has tightened environmental performance standards due to European Union accession requirements, creating new opportunities for environmental technology and service providers.

EU financial support for environmental infrastructure projects will spur growth in this sector in the coming years.

In 2008, spending in the environmental sector was USD 1,3 billion. According to Hungary's Central Statistical Office, wastewater treatment now accounts for forty percent of all environmental spending, waste treatment for another forty percent, protection of soil and groundwater quality for seven percent, protection of air quality for three percent, protection of landscape and nature for two percent, and research and development for one percent (the remaining seven percent is 'other').

WATER & WASTE WATER

In Hungary public water services are provided by state-, municipality- and jointly-owned water utilities. There are currently five large regional water works companies and more than 300 small municipality-owned ones. Water supply and sewage services are provided often by the same company.

Drinking water is available in every town, with 93.7 percent of households connected to a drinking water supply. The total pipe network is 64,400 kilometers (40,000 miles); the annual public utility drinking water supply is close to 560 million m3. A considerable proportion of the network does not meet EU or Hungarian standards. About 2.5 million people – 25.1 percent of Hungary's population – in 873 municipalities are supplied by "unsatisfactory" water (i.e., water contaminated with unacceptably high levels of arsenic, nitrite, boron, fluoride or ammonium). About 97 percent of Hungary's water supply comes from underground sources. All of Hungary's prospective and 600 operating water bases are located in ecologically and geographically vulnerable areas.

The public utility gap – sewer length per one kilometer of water supply pipe – is still over 30 percent; only 44.3 percent of settlements are connected to wastewater collection systems. Only 66.5 percent of collected wastewater is biologically treated.

Hungary's location in a basin and the continental climate can result in extreme weather and makes the country vulnerable to flooding. The increasing threat of flood damage makes flood prevention a top government priority.

WASTE & RECYCLING

Due to significant government and EU funding, almost all of Hungary's municipal waste management facilities and landfills comply with EU regulations. Incineration of municipal waste is used only in Budapest, with the rest of Hungarian municipalities relying on regional landfills. Most landfills currently serve 20-30 municipalities. Several incinerators exist to dispose of hazardous wastes. Recycling containers for paper, plastic, metal and glass are increasingly available: about 60 percent of the population report using recycling containers located close to their homes.

REMEDIATION & BROWNFIELDS

The Government initiated the National Environmental Remediation Program (NERP) to establish a national inventory of pollution sources that endanger sub-surface waters and polluted areas. NERP coordinates tasks in connection with environmental remediation for the whole territory of the country.

ENVIRONMENTAL SERVICES

U.S. firms are active in the Hungarian pollution control market, primarily in project management and consulting. Stiff competition exists in this sector from Hungarian, as well as German, French, Italian, Japanese and Scandinavian firms.

INDOOR & OUTDOOR AIR POLLUTION

According to various surveys and rankings, Hungary has moderate levels of air pollution: air quality in most of the country is deemed "satisfactory." More specifically, with respect to urban air quality, Hungary's levels of sulphur dioxide and carbon monoxide are considered "excellent" throughout the country, but nitrogen oxide levels sometimes exceed health limits, particularly along congested traffic nodes and roads. The most serious environmental problem in the inner areas of settlements is the significant burden caused by traffic. Hungary has had difficulty limiting particulate matter (PM 106) pollution in the internal areas of major cities. About 20 percent of the population is affected by allergies caused by dust and pollen pollution, and these numbers keep increasing.

In addition to traffic congestion and transportation, one of the biggest causes of air pollution in Hungary is in the power sector. Overall, greenhouse gas emissions in Hungary have remained steady, and the country falls well within Kyoto protocol emissions targets.

Best Products/Services Return to top

The key pollution control project areas anticipated to receive both Hungarian Government and EU funds are:

- Waste management (prevention, re-use and recycling, and environmentally friendly treatment);
- Wastewater treatment;
- Protection of groundwater (main source of drinking water in Hungary);
- Improvement of drinking water quality (building out water treatment technology, switching to other water bases, switching to other water supply systems).

Opportunities Return to top

The EU is set to provide 22.4 billion Euros (USD 30.7 billion) to Hungary, from 2007-13, to finance infrastructure upgrades, as part of the New Hungary Development Plan. The NHDP is broken down into 15 Operational Programs approved by the government. Pollution control projects are part of the Environment and Energy Operational Program (USD 6.7 billion) and regional programs. Selling to the public sector requires participation in public bids.

Resources Return to top

Ministry of Environment and Water: http://www.kvvm.hu/
Ministry of Environment and Water Development Directorate: http://www.fi.kvvm.hu
Central Directorate of Environment and Water: http://www.ovf.hu
Association of Environmental Service Providers and Manufacturers: http://www.kszgysz.hu
Hungarian Water Utility Association: http://www.maviz.org
National Association of Waste Management Companies: http://hoe.internettudakozo.hu

National Development Agency: http://www.nfu.hu/?lang=en

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Renewable Energy (REQ)

Overview Return to top

The EU "20-20-20" Goals include binding targets to raise the share of renewable energy to 20 percent by 2020. The Government of Hungary has made long-term commitments to increase alternative energy use in the coming decades. In addition to environmental concerns, renewable energy also contributes to the security of supply by increasing the share of domestically produced energy and reducing dependence on fossil fuels. At present Hungary relies on imports for almost 80 percent of the country`s energy needs. In Q1 2009 renewable energy accounted for 4.3 percent of the total electricity production and 5.1 percent of the total primary energy supply.

In 2008, the Government of Hungary approved the Renewable Energy Strategy for 2007-2020. The policy targets the increase of renewable energy production to 15 percent by 2020. The strategy will favor decentralized energy production, the cogeneration of heat and power and the establishment of small power stations utilizing renewable sources locally. Biomass represents the largest source of renewable energy in Hungary, at almost 90 percent. There are several units in operation in Hungary, most of them using biomass mixed with another fuel. Biomass is produced mainly from forestry materials, while food processing, livestock production and herbaceous plants remain largely un-utilized biogas. There are now around forty plants in Hungary utilizing biogas. The large-scale production of inputs provides excellent opportunities for development.

Geothermal Energy: Great potential due to the geological conditions of the country. Currently accounts for over 8 percent of the renewable energy production and the sector bears excellent possibilities for development.

Solar Power: Relatively undeveloped despite favorable climate conditions. With an average of 1900-2200 sunny hours/year there is a theoretical potential of 1838 PJ, out of which 0.1 PJ are used currently. A small number of residences and community buildings, like hospitals, use roof-mounted solar panels to supplement heating units.

Wind Energy: There are currently 31 wind farms (96 towers) operating, producing about 177 MW. ** Hungary does not have any pumped storage power plant and the 80 percent reserve capacity required by wind energy generation has to be provided by gas-fueled plants. As a result of this, the total capacity of wind energy was limited to 330 MW until recently. In August 2009 the Hungarian Energy Office (MEH) called an invitation for applications to build another 410MW of wind energy capacity.

Hydro Power: The capacity is 55 MW from thirty-one different power plants. Due to the geographical conditions, further bigger developments are unlikely. Small and micro sized plants are expected to be built.

Bio-fuel: In accordance with the EU directive, the Hungarian Government set the objective of achieving a bio-fuel proportion of 4 percent in the fuel market by 2010. Differentiated taxation came in force, whereby fuels containing bio-components enjoy a more favorable tax situation.

E85 fuel (bio-fuel, which contains about 85 percent bio-ethanol and 15 percent petrol) has also been introduced to the market. There are currently forty five E85 filling stations in Hungary.

Despite excellent natural resources and easy availability of raw materials, Hungary is well behind in its plans to become a major bio-ethanol producer. Plans drawn up five years ago forecast that the country would currently be delivering up to a million tons of bio-ethanol, but total production still stands at 100-150 thousand tons. Increasing crop prices combined with falling oil prices and the debate around the sustainability of bio-fuel have slowed down developments.

Best Products/Services Return to top

The Hungarian Renewable Energy Strategy forecasts growth mainly in biomass, wind, solar and geothermal energy. The cost-effectiveness of renewable energy production is supported by competitive feed-in tariffs and investment subsidies.

Opportunities Return to top

Hungary's subsidy theme for renewables is based on three pillars

- Feed-in-tariff system

Guaranteed until 2020. The system was modified in favor of smaller plants and those providing remote heating in 2008.

- EU Funds

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

- National Energy Program

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

*Source: Hungarian Investment and Trade Development Agency (www.itdh.hu)

**Source: Hungarian Wind Energy Association

Resources Return to top

Greenenergy on-line: www.zoldtech.hu
"Energy Centre" Energy Efficiency, Environment and Energy Information Agency Non-Profit Company: www.energiakozpont.hu
Hungarian Energy Office: http://www.eh.gov.hu
Hungarian Wind Energy Association: www.mszet.hu
Ministry of Transport, Telecommunication and Energy: www.khem.gov.hu/en
National Development Agency: www.nfu.hu/?lang=en
Union of Biomass Product Line: www.bitesz.hu

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Safety & Security (SEC)

Market Overview

Return to top

Economic changes and social and political change are increasing the demand for security equipment in Hungary. Expanding shopping centers/retail networks are major purchasers of modern loss prevention, anti-shoplifting and surveillance equipment. Residential builders and renovators, as well as small businesses are increasingly taking security precautions and purchasing equipment. New hotels, logistic centers, and industrial parks also require modern safety and security equipment.

Police statistics indicate that 408,407 crimes were committed in Hungary of which 65 percent were directed against property in 2008. In 2008, the total number of crimes decreased by 4.5 percent and the share of crimes against property remained at 65 percent. Both the growing economic base and increased property risk have created an increased need for security products.

There are at least three dominant business sectors on the Hungarian safety and security market that have to be highlighted.

Among these, safeguarding was the first service outsourced by the largest local companies after the political and economic transition twenty years ago. Companies and banks started to employ their own security staff through private sub-contractors ever since the 1990's; a trend which has not changed. Market professionals predict that a serious concentration of these small and easy to establish companies will face the challenges of globalization.

The second main sector of the safety and security market is cash logistics. This segment is the opposite of earlier one in that companies need large capital, expensive logistics, specialized knowledge, well trained employees, and preparedness to match market expectations. For these reasons the concentration of cash logistics and value transportation sector is fairly high. Three companies dominate the sector in Hungary.

The third major safety and security segment – completely different from the two above – is security systems. Development in this field is very quick, and concentration on cutting edge technologies is high. Users can purchase the same, high quality products (i.e. alarm systems, smoke and fire detectors, access-, or camera systems etc.) that are available in Western Europe. Besides corporate buyers, the private sector became more conscious in property security. According to market experts purchases by individuals increased by two digit numbers in the past years, some areas even expanded over 20 percent.

Please note that official statistics on the safety and security market are not available in Hungary. Numbers given in this report are best estimates by trade professionals.

Zsolt Makai, Commercial Specialist, zsolt.makai@mail.doc.gov

Overview Return to top

	2007	2008	2009 Jan-Sept
International arrivals (million)	39.4	39.5	32.0
International tourism arrivals (million)	8.6	7.5	7.0
Hungarians traveling abroad (million)	17.3	17.4	13.2
Tourism expenditure (US$ million)	3,139.0	3,954.0	1,627.0
Tourism receipts (US$ million)	5,064.0	5,943.0	2,952.0

Sources: Central Statistical Office and unofficial estimates.
Average exchange rate in 2008: US$ 1 = HUF 171.80
Average exchange rate in 2009: US$ 1 = HUF 218.19

Tourism is a successful economic sector in Hungary with potential for further development. Experts estimate that the tourism sector accounts for about nine percent of Hungary's GDP and about 300,000 jobs.

In January-September of 2009, Hungarians crossed the border 13.2 million times, and spent $3 billion. Hungarian travelers spent 86.4 million days abroad, 3 percent more than in the same period of 2008. The number of one-day visits did not change (11 million), while travels of more than one day decreased 7 percent. The average length of a tour abroad increased from 11 days to 12. Top European destinations included Croatia, Greece, Romania and Italy. Great Britain is also on the rise as a result of the “Visit Britain” campaign in Hungary. Austria, France, Tunisia and Turkey were also favored. Major border zone traffic at the Austrian border represents a ground transportation exit to Western European countries as well. However, analysts expect 2010 to be a difficult period for the tourism sector because of the worldwide financial crisis and economic downturn.

Hungary understands the need for incentives in tourism development and guarantees that a modernization program will be a priority in its New Hungary Development Plan. Objectives include increasing foreign and domestic tourism and improving services. Of particular importance are the development of conference centers and hot springs as tourist attractions. Hungary's National Development Plan (NFT), a program governing the use of EU funds in the 2007–2013 period, will allocate $1.7 billion for the development of tourism in the years to come.

Best Products/Services Return to top

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

- Construction of convention centers, primarily in cities with existing tourist attractions such as Eger, Pecs, Sopron, Debrecen and Szekesfehervar;
- Continued development in central Budapest, including hotels, a large (5000-person) convention center and office and retail space;

- Travel services. Some American travel and tourism companies currently operating in Hungary include American Express, American Airlines, Continental Airlines, Delta Airlines (which runs a nonstop flight between New York and Budapest), American International Group, Avis, Hertz and Budget Rent-a-Car, Worldspan, Marriott Hotel, and Best Western hotels;
- Golf courses and holiday villages, especially near existing tourism locations such as Lake Balaton.

Travel to the U.S.

On November 17, 2008, Hungary joined the Visa Waiver Program. After the long-awaited ease in the process, qualified Hungarian travelers can apply and get an electronic authorization, usually within minutes but always within 72 hours, free of charge.

In 2009, from January-October, 41,375 Hungarian tourists arrived in the U.S., 15.6 percent more than in the same period of 2008.

2008	2007	2006	2005	2004	2003
42,209	40,467	37,257	37,308	32,694	31,984

Source: US Department of Commerce

Most of the Hungarian tourists to the U.S. visit the popular tourist destinations in the East and West Coasts, i.e. New York, Florida and California. Tour operators say that major destinations recently reflect 15 year-old trends, when Hungarians began to receive 10-year multiple entry visas following the collapse of the communist regime.

Best Prospects

Hungarians need new destinations to visit in the U.S. CS Budapest will promote American cities, attractions at the annual travel trade fair, UTAZAS in 2010.

Resources Return to top

www.hungary.com Hungarian Tourism Rt.
www.tourinform.hu Tourist Information
www.turizmus.com Tourism Panorama
www.mth.gov.hu Ministry of Local Governments and Regional Development
http://www.ksh.huOffice of Statistics

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Agricultural Sectors

Return to top

Best Prospects for Agricultural Products

1. Seed

		1,000 METRIC TONS		
		2006	2007	2008
A	TOTAL MARKET SIZE	279	187	221
B	TOTAL LOCAL PRODUCTION	353	248	315
C	TOTAL EXPORTS	87	76	120
D	TOTAL IMPORTS	13	15	26
E	IMPORTS FROM THE U.S.	5	4	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, sunflower and corn seed have been traditionally strong in this market. One limitation for new exporters is that the market is well established and trade linkages are solid. Hungary implemented legislation governing the use, registration and imports of biotechnology plant varieties including "coexistence regulation" in December, 2006. Hungary's biotech policy is closely tied to the EU (a full member since 2004) and commercial plantings will not be allowed in the near future, due to a moratorium imposed in January 2005.

2. Soybean Meal

		1,000 METRIC TONS		
		2006	2007	2008
A	TOTAL MARKET SIZE	648	806	560
B	TOTAL LOCAL PRODUCTION	3	2	2
C	TOTAL EXPORTS	0	0	0
D	TOTAL IMPORTS	645	804	558
E	IMPORTS FROM THE U.S.	14	12	8

Soybean meal: Hungary is a large producer and exporter of livestock and products. Annual consumption of soybean meal is about 600-700 thousand 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		
		2006	2007	2008
A	TOTAL MARKET SIZE	6.70	6.79	6.34
B	TOTAL LOCAL PRODUCTION	5.21	4.67	4.34
C	TOTAL EXPORTS	0.37	0.00	0.00
D	TOTAL IMPORTS	1.86	2.12	2.00
E	IMPORTS FROM THE U.S.	0.92	1.21	1.61

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.

4. Poultry Breeding Stock

		USD MILLION		
		2006	2007	2008
A	TOTAL MARKET SIZE	48.77	42.40	25.24
B	TOTAL LOCAL PRODUCTION	54.28	63.81	52.06
C	TOTAL EXPORTS	13.17	25.62	36.62
D	TOTAL IMPORTS	7.66	4.21	9.80
E	IMPORTS FROM THE U.S.	2.40	1.60	1.87

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

5. Dried fruits & nuts (inc. Peanuts)

		USD MILLION		
		2006	2007	2008
A	TOTAL MARKET SIZE	44.1	47.4	39.5
B	TOTAL LOCAL PRODUCTION	21.0	18.3	19.0
C	TOTAL EXPORTS	6.1	4.4	5.9
D	TOTAL IMPORTS	29.2	33.5	26.4
E	IMPORTS FROM THE U.S.	2.8	1.9	1.7

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

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations and Standards

- Import Tariffs
- Trade Barriers
- Import Requirements and Documentation
- U.S. Export Controls
- Temporary Entry
- Labeling and Marking Requirements
- Prohibited and Restricted Imports
- Customs Regulations and Contact Information
- Standards
- Trade Agreements
- Web Resources

Import Tariffs

Return to top

With Hungary's accession to the European Union on May 1 2004, Hungary adopted the EU's common external tariff (CXT) rates, resulting in an average tariff level of 3 percent. Tariff assessment and all other customs procedures take place at the first port of entry into the EU. However, Hungary still collects the Value Added Tax (VAT) on all goods with Hungary as a final destination. As of July 1, 2009, the VAT increased from 20 to 25 percent. In addition to the 25 percent VAT, a new 18 percent VAT category was introduced for certain products such as dairy products, goods produced from grain, starch, flour and milk. The new 18 percent VAT is also levied on central heating services.

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

Trade Barriers

Return to top

For information on existing EU trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by the U.S. Trade Representative, (USTR) available through the following website:

http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file348_15473.pdf

Information on agricultural trade barriers can be found at the following website:
http://useu.usmission.gov/Dossiers/Trade/default.asp
http://www.fas.usda.gov/posthome/useu/

To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at http://www.trade.gov/tcc or the U.S. Mission to the European Union at http://www.buyusa.gov/europeanunion.

Import Requirements and Documentation

Return to top

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

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

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

Link to the Hungarian Trade Licensing Office:
http://mkeh.gov.hu/kereskedelmi/nemzeti/kivitel_behozatal

Import Documentation

Non-agricultural Documentation:

The official model for written declarations to customs is the Single Administrative Document (SAD). Information on import/export forms is contained in Title VII, of Council Regulation (EEC) No. 2454/93, which details provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (Articles 205 through 221). Articles 222 through 224 provide for computerized customs declarations and Articles 225 through 229 provide for oral declarations.

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

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

The summary declaration is to be lodged by:

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

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

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

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

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

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

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

Batteries:

EU battery rules changed in September 2006 following the publication of the Directive on batteries and accumulators and waste batteries and accumulators (Directive 2006/66). This Directive replaces the original Battery Directive of 1991 (Directive 91/157). The updated Directive applies to all batteries and accumulators put on the EU market including automotive, industrial and portable batteries. It aims to protect the environment by restricting the sale of batteries and accumulators that contain mercury or cadmium (with an exemption for emergency and alarm systems, medical equipment and cordless power tools) and by promoting a high level of collection and recycling. It places the responsibility on producers to finance the costs associated with the collection, treatment, and recycling of used batteries and accumulators. The Directive also includes provisions on the labeling of batteries and their removability from equipment. For more information, see our market research report:

http://www.buyusainfo.net/docs/x_8086174.pdf or visit the CS EU website Batteries Direct page at: http://www.buyusa.gov/europeanunion/batteries.html

REACH:

REACH is a major reform of the EU chemicals policy that was adopted in December 2006 and became national law in the 27 EU Member States in June 2007 (Regulation 1907/2006). Virtually every industrial sector, from automobiles to textiles, could be affected by the new policy. REACH stands for the "Registration, Evaluation and Authorization of Chemicals." Since

June 1 2008, REACH requires chemicals produced or imported into the EU in volumes above 1 ton per year to be registered with a central European Chemicals Agency (ECHA), including information on their properties, uses and safe ways of handling them. Chemicals pre-registered before December 1, 2008 benefit from extended registration deadlines, from three to eleven years depending on the volume of the substance and its hazard properties. U.S. companies without a presence in Europe cannot register directly and must have their chemicals registered through their importer or EU-based "Only-representative of non-EU manufacturer". A list of Only Representatives can be found on the website of the U.S. Mission to the EU: http://www.buyusa.gov/europeanunion/reach.html.

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

WEEE & RoHS:

EU rules on waste electrical and electronic equipment (WEEE), while not requiring specific customs or import paperwork, may entail a financial obligation for U.S. exporters. They require U.S. exporters to register the products with a national WEEE authority, or arrange for this to be done by a local partner. Similarly, related rules for EEE restricting the use of hazardous substances (RoHS) lead, cadmium, mercury, hexavalent chromium, PBBs, and PBDEs, do not entail customs or importation paperwork. The WEEE and RoHS Directives are currently being revised to enlarge the scope and add substances to be banned in electrical and electronic equipment; the new rules could take effect as early as 2011. U.S. exporters seeking more information on WEEE and RoHS regulations should visit: http://www.buyusa.gov/europeanunion/weee.html

Agricultural Documentation:

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

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

Sanitary Certificates (Fisheries): In April 2006, the European Union declared the U.S. seafood inspection system as equivalent to the European one. Consequently, a specific public health certificate must accompany U.S. seafood shipments. Commission Decision 2006/199/EC places specific conditions on imports of fishery products from the US. Sanitary certificates for live shellfish are covered by Commission Regulation (EC) 1664/2006 and must be used for gastropods, bivalve mollusks, tunicates and echinoderms. The two competent Authorities for issuing sanitary certificates are the FDA and the U.S. Department of Commerce, National Marine Fisheries Service (NMFS/NOAA/USDC).

Since May 1, 2007, with the implementation of the second Hygiene Package, aquaculture products coming from the United States must be accompanied by a public health certificate according to Commission Decision 2006/199/EC and the animal health attestation included in the new fishery products certificate covered by Regulation (EC) 1664/2006. This animal health attestation is not required in the case of live bivalve mollusks intended for immediate human consumption (retail).

For detailed information on import documentation for seafood, please contact the NOAA Fisheries office at the U.S. Mission to the EU (mailto:stephane.vrignaud@mail.doc.gov) or visit the following FDA dedicated web site: http://www.cfsan.fda.gov/.

U.S. Export Controls

Return to top

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

Temporary Entry

Return to top

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

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

Labeling and Marking Requirements

Return to top

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

The subject is also covered in the section about standards (see below).

Prohibited and Restricted Imports Return to top

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

CITES Convention on International Trade of Endangered Species
PROHI Import Suspension
RSTR Import Restriction
For information on how to access the TARIC, see the Import Requirements and Documentation

Key Link: http://ec.europa.eu/taxation_customs/common/databases/taric/index_en.htm

Hungarian Regulations

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

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

Customs Regulations and Contact Information Return to top

EU REGULATIONS
Homepage of Customs and Taxation Union Directorate (TAXUD) Website

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

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

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

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

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

Customs Valuation – Most customs duties and value added tax (VAT) are expressed as a percentage of the value of goods being declared for importation. The value of the goods for purposes of customs valuation is determined by rules set out in the WTO Customs Valuation Agreement, which applies an internationally accepted concept of 'customs value'. More information on the methodology can be found on the European Commission's website at the link below.

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

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

The measures cover three major changes to the Customs Code:

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

Key Link:

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

<u>Contact Information at national customs authorities:</u>

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

For contact information at national customs authorities, please visit:
http://ec.europa.eu/taxation_customs/common/links/customs/index_en.htm
Link to Hungarian Customs Office: http://www.vam.hu

Standards

Return to top

- Overview
- Standards Organizations
- Conformity Assessment
- Product Certification
- Accreditation
- Publication of Technical Regulations

• Labeling and Marking
• Contacts

Overview
Return to top

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

European Union standards created under the New Approach are harmonized across the 27 EU Member States and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be aware that Regulations and technical standards might also function as barriers to trade if U.S. standards are different from those of the European Union.

The European Union is currently undertaking a major revision of the New Approach that will enhance some aspects, especially in the areas of market surveillance. To follow the revision, please visit: http://ec.europa.eu/enterprise/regulation/internal_market_package/index_en.htm

Agricultural Standards:

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

Standards Organizations
Return to top

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

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

CENELEC, European Committee for Electro-technical Standardization
http://www.cenelec.org/Cenelec/Homepage.htm

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

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

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

Due to the EU's vigorous promotion of its regulatory and standards system as well as its generous funding for its business development, the EU's standards regime is wide and deep - extending well beyond the EU's political borders to include affiliate members (countries which are hopeful of becoming full members in the future) such as Albania, Croatia, FYR of Macedonia, and Turkey. Another category, called "partner standardization bodies" includes the standards organizations of Bosnia and Herzegovina, Republic of Moldova, Egypt, Serbia, the Russian Federation, Tunisia, the Ukraine, Armenia and Australia, which are not likely to join the EU or CEN any time soon, but have an interest in participating in specific CEN technical committees. They agree to pay a fee for full participation in certain technical committees and agree to implement the committee's adopted standards as national standards. Many other countries are targets of the EU's extensive technical assistance program, which is aimed at exporting EU standards and technical Regulations to developing countries, especially in the Mediterranean and Balkan countries, Africa, as well as programs for China and Latin America. To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. CEN's "business domain" page provides an overview by sector and/or technical committee whereas CENELEC offers the possibility to search its database. ETSI's portal (http://portal.etsi.org/Portal_Common/home.asp) leads to ongoing activities. With the need to adapt more quickly to market needs, European standards organizations have been looking for "new deliverables" which are standard-like products delivered in a shorter timeframe. While few of these "new deliverables" have been linked to EU Regulations, expectations are that they will eventually serve as the basis for EU-wide standards.

Conformity Assessment

Return to top

Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages of the production process to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. You can find conformity assessment bodies in individual Member State country in this list by the European Commission.

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

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and the European Standard Agreement Group. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

Product Certification

Return to top

To sell products on the EU market of 27 Member States as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. There is no easy way for U.S. exporters to understand and go through the process of CE marking, but hopefully this section provides some background and clarification. Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence. The CE marking addresses itself primarily to the national control authorities of the Member States, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by Member State inspectors, the consumer may well perceive it as a quality mark.
The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity, the certificate of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

Accreditation

Return to top

Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under U.S.-EU Mutual Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EU specifications, and vice versa. The costs are significantly lower which results in U.S. products becoming more competitive. At this time, the U.S.-EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (on hold), recreational craft (in force) and marine equipment (in force). The U.S. Department of Commerce, National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating under a mutual recognition agreement.
Key Link: http://ts.nist.gov/Standards/Global/mra.cfm

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

Publication of Technical Regulations

Return to top

The Official Journal is the official gazette of the European Union. It is published daily on the internet and consists of two series covering draft and adopted legislation as well as case law, questions from the European Parliament, studies by committees, and more. It lists the standards reference numbers linked to legislation
http://www.newapproach.org/Directives/DirectiveList.asp.
National technical Regulations are published on the Commission's website
http://ec.europa.eu/comm/enterprise/tris/ to allow other countries and interested parties to comment.

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

Labeling and Marking

Return to top

Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes. Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable until end of December 2009. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the right of Member States to require the use of language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC, to replace 80/232/EC in April 2009, harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

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

The Eco-label:

EU legislation in 1992, revised in 2000, distinguishes environmentally friendly products and services through a voluntary labeling scheme called the Eco-label. Currently, the scheme applies to 7 product groups: cleaning products, appliances, paper products, clothing, lubricants, home and garden products and tourism services. The symbol, a green flower, is a voluntary mark. The Eco-label is awarded to producers who can show that their product is less harmful to the environment than similar products. This "green label" also aims to encourage consumers to buy green products. However, the scheme does not establish ecological standards that all manufacturers are required to meet to place product on the market. Products without the EU

Eco-label can still enter the EU as long as they meet the existing health, safety, and environmental standards and Regulations.

The EU Eco-label is a costly scheme (up to EUR 1,300 for registration and up to EUR 25,000/year for the use of the label, with a reduction of 25 percent for SMEs) and has therefore not been widely used so far. However, the Eco-label can be a good marketing tool and, given the growing demand for green products in Europe, it is likely that the Eco-label will become more and more a reference for green consumers.

Key Links: http://buyusainfo.net/docs/x_4284752.pdf
http://ec.europa.eu/comm/environment/ecolabel/index_en.htm
http://www.eco-label.com/
Link to the Hungarian Standards Office: http://www.mszt.hu/angol/index_eng.htm
Link to the Hungarian Accreditation Board: http://www.nat.hu/
Links to Major Notified Bodies can be found at the end of Chapter 5: in Web Resources

Trade Agreements Return to top

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

Web Resources Return to top

Hungarian Customs Office: http://www.vam.hu/welcomeEn.do
Hungarian Trade Licensing Office is: http://www.mkeh.gov.hu/
Hungarian Standards Office: http://www.mszt.hu/angol/index_eng.htm
Hungarian Accreditation Board: http://www.nat.hu/
Major Notified Bodies (testing, certification, CE mark) :KERMI - TUV Sud KERMI
Website: http://www.kermi.hu
E-Mail: kermi@kermi.hu
MEEI – TUV Rheinland MEEI
Website: http://www.tuv.com/meei/
http://www.tuv.com/hun/en/products_and_services.html
E-mail: meei@hu.tuv.com
National Institute of Food Hygiene and Nutrition (OETI)
E-Mail: titkarsag@oeti.antsz.hu
Website: http://www.oeti.hu/index.php?m1id=20&m2id=207
ORKI Institute for Medical Engineering
E-mail: orki@orki.hu
Website: http://www.orki.hu

EU websites:

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

The Modernized Community Customs Code MCCC):
http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm.

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

Taxation and Customs Union: http://ec.europa.eu/taxation_customs/customs/index_en.htm
Regulation (EC) 648/2005:
Security and Safety Amendment to the Customs Code
Decision N° 70/2008/EC:
http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/electronic_customs_legislation/index_en.htm

Regulation (EC) 450/2008): Modernized Community Customs Code
Legislation related to the Electronic Customs Initiative:
http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/electronic_customs_legislation/index_en.htm

International Level: Customs value

What is Customs Valuation?

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

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

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

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

AEO: Authorized Economic Operator

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

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

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

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

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

Standardisation – Mandates: http://ec.europa.eu/enterprise/standards_policy/mandates/.

http://ec.europa.eu/enterprise/policies/european-standards/standardisation-requests/index_en.htm

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

Nando (New Approach Notified and Designated Organizations) Information System:

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

Mutual Recognition Agreements (MRAs):

http://ts.nist.gov/Standards/Global/mra.cfm

European Co-operation for Accreditation:

http://www.european-accreditation.org/content/home/home.htm

Eur-Lex – Access to European Union Law:

http://eur-lex.europa.eu/en/index.htm

Standards Reference Numbers linked to Legislation:

http://ec.europa.eu/enterprise/policies/european-standards/documents/harmonised-standards-legislation/list-references/index_en.htm
p://ec.europa.eu/enterprise/newapproach/standardization/harmstds/whatsnew.html

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

NIST - Notify us: http://tsapps.nist.gov/notifyus/data/index/index.cfm

Metrology, Pre-Packaging – Pack Size:

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

European Union Eco-label Homepage:

http://ec.europa.eu/comm/environment/ecolabel/index_en.htm

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

U.S. websites:

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

Agricultural Trade Barriers:

http://www.fas.usda.gov/posthome/useu/

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

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

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

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

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

Overview of EU Certificates:

http://useu.usmission.gov/agri/certificates-overview.html

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

EU Marking, Labeling and Packaging – An Overview

http://www.buyusainfo.net/docs/x_4171929.pdf.

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

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

Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

- Openness to Foreign Investment
- Conversion and Transfer Policies
- Expropriation and Compensation
- Dispute Settlement
- Performance Requirements and Incentives
- Right to Private Ownership and Establishment
- Protection of Property Rights
- Transparency of Regulatory System
- Efficient Capital Markets and Portfolio Investment
- Political Violence
- Corruption
- Bilateral Investment Agreements
- OPIC and Other Investment Insurance Programs
- Labor
- Foreign-Trade Zones/Free Ports
- Foreign Direct Investment Statistics
- Web Resources

Openness to Foreign Investment

Return to top

Hungary maintains an open economy and attracting foreign investment remains a priority for the Hungarian government. According to the Hungarian Investment and Trade Development Agency (ITD), "foreign direct investment (FDI) has been crucial in boosting economic performance and remains the driving force behind Hungary's economic success, fueling its strong export growth and significantly increasing productivity." With more than $80 billion in FDI since 1989, Hungary has been a leading destination for FDI in Central and Eastern Europe, although this level is beginning to decline. The global financial crisis hit Hungary in late 2008, and the sharp economic downturn both globally and domestically negatively impacted investment flows into Hungary. Investment from American companies is estimated at more than $9 billion since 1989. There are approximately 2200 companies with partial U.S. ownership, and 128 wholly U.S. owned companies in Hungary.

Hungary's high-quality infrastructure, its productive and highly skilled labor force, and its central geographic location are often cited as features that make Hungary an attractive destination for investment. Investment promotion agency ITDH views Hungary as a particularly well suited location for research and development centers; manufacturing facilities; and service centers, and believes that considerable opportunities exist in the biotechnology; information and communications technology; software development; renewable energy; automotive; and tourism sectors. ITDH reports that the agency brought in EUR 894 million worth of investments into Hungary in 2009, supporting 27 major investments that created nearly 5,500 jobs.

Despite Hungary's advantages, some businesses complain that obstacles and disincentives to investment remain, including a lack of transparency and predictability; reports of corruption, particularly in the government procurement sector; and barriers related to excessive red tape. In late 2009, media sources reported several cases in which local and national authorities took decisions that may have unfairly impacted foreign investors. These cases, which are currently being challenged in the courts, include a tender for national radio frequencies and the cancellation of a water services contract in a city in southern Hungary. This led nine Embassies to issue a statement of joint concern over the situation for foreign investors in Hungary (the nine Embassies were Belgium, France, Germany, Japan, Norway, Switzerland, The Netherlands, The United Kingdom and The United States). The November 2009 statement emphasized the need to promote transparency as a competitive advantage for Hungary as it seeks to attract further foreign investment. Officials of the current government as well as representatives of the major opposition party, however, insist that these cases do not reflect a trend and that foreign investors in Hungary are welcome and are treated fairly

Index/Ranking	Year	Rank	Hungary Result	Scale
Transparency International Corruption Perception Index	2009	46	5.1	From 1 to 10, most corrupt = 1
Heritage Economic Freedom	2009	44	66.8	From 1 to 100, most free = 100
World Bank Doing Business	2010	47	n/a	Out of 183 countries and territories
World Economic Forum Competitiveness Report	2009/10	58	4.22	The higher the score the more competitive
IMD World Competitiveness Yearbook	2009	45	53.917	From 1 to 100, most competitive = 100

Economic Crisis and Recovery

The global financial crisis hit Hungary with particular severity. Despite declining budget deficits beginning in 2007, concerns about Hungary's macroeconomic vulnerabilities – in particular its high debt-to-GDP ratio and external liability position – caused Hungary to become one of the first emerging markets to suffer from the fallout of the global financial crisis. Investor risk aversion and global deleveraging caused liquidity pressures in Hungary's financial markets and created significant stress in the government securities market. The deleveraging contributed to a significant weakening of the forint, and on October 22, 2008, the Hungarian National Bank increased the policy rate by 300 basis points to fend off a potentially destabilizing swing in the exchange rate.

In late October 2008, Hungarian authorities requested liquidity support from international organizations, and in early November concluded a USD 25.1 billion assistance package with the IMF, EU, and World Bank to help reduce the government's financing needs and improve long-term fiscal sustainability; maintain adequate capitalization of domestic banks and liquidity in domestic financial markets; and underpin confidence and secure adequate external financing.

In April 2009, Hungary's new Prime Minister Gordon Bajnai initiated a crisis management program intended to achieve short term crisis management, long term budget equilibrium, sustainable stimulation of growth, and long term restoration of confidence. Unlike most other EU Member States, macroeconomic policy could not be used to support the economy, and fiscal policy had to remain tight to avoid further erosion in investor confidence. Discretionary spending was cut significantly, and the crisis served as a catalyst to implement a number of structural economic reforms.

The Bajnai government's reform package, designed to help improve fiscal sustainability, included reforms to the pension and social welfare system, as well as changes to the public sector compensation system. In addition to cuts in discretionary spending, the government enacted tax reforms aimed at encouraging employment and growth by reducing the tax burden on labor, while remaining revenue neutral by offsetting tax cuts with increases in consumption and wealth-based taxes.

The government's tight fiscal policies and the gradual improvement in the global economic climate helped bolster market confidence, and the government has been able to return to the market for public sector financing. Significantly, in July 2009 the government successfully concluded a EUR 1 billion Eurobond auction. The narrowing current account deficit has also helped substantially ease government external financing requirements.

As of January, 2010, Hungary successfully completed four reviews under the IMF Stand-by Arrangement. As a result of the continued improvement in Hungary's external financing conditions, the government declined to draw the amount available to it from the IMF Stand-by Arrangement following the latest review.

Despite the improving macroeconomic situation, the global economic crisis has had a severe impact on the real economy, as sharply lower demand for Hungarian exports and a steep drop in domestic demand adversely impacted economic growth in Hungary. The unavailability of credit in the months following the onset of the crisis exacerbated the problem, particularly for small and medium sized businesses. A sharp contraction of 6.7 percent is expected for 2009 – more than twice the OECD average. The unemployment rate is expected to peak near 11 percent. As of late 2009, liquidity returned to the banking sector, but loan rates remain down, due to banks' tightening credit conditions and the high costs of forint denominated loans.

Framework for Foreign Investment

Since 1989, Hungary has undergone a dramatic transformation from a centrally planned economy to an open, pro-business economy. In 2004 it became a member of the European Union. The Hungarian Constitution guarantees private ownership, right of enterprise, and freedom of competition. The government engages in reasonably transparent regulation. Financial markets are highly developed and smoothly operating, and reflect a level of sophistication indicative of an early reformer in the region.

The Ministry of Economic Affairs established the Hungarian Investment and Trade Development Agency (ITDH) in 1993, and this agency continues to help companies looking to make major investments in the country. ITDH has set up a “one-stop-shop” service for potential large investors to maintain a competitive environment and attract multinational companies. The government has a National Development Program II (NDPII) for channeling EU development funds and the Smart Hungary investment incentive program, aimed at facilitating investments in key areas for development, especially in the less developed regions.

The reinvigorated Investors’ Council continues to operate as a mechanism to maintain Hungary's economic competitiveness and attractiveness to foreign investors. Co-chaired by the Minister of Economy and a leading private sector business executive, it is made up of the largest investors, including foreign investors, economists, NGO’s, and business chambers.

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

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

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

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

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

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

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

Conversion and Transfer Policies

Return to top

The Hungarian forint (HUF) has been convertible for essentially all business transactions since January 1, 1996. As a legal obligation of its EU membership, Hungary must eventually adopt the Euro. Hungary complies with IMF Article VIII and all OECD convertibility requirements. Act XCIII of 2001 on Foreign Exchange Liberalization lifted all remaining foreign exchange restrictions and allowed free movement of capital in line with EU regulations. Foreign currencies are freely available in all banks and exchange booths. In 2001, Hungary adopted an exchange rate intervention band of +/-15 percent around a benchmark rate against the Euro. In order to allow the Hungarian National Bank (MNB) to exclusively focus on its inflation target of 3 percent, in February 2008 the MNB adopted a free-floating exchange rate regime. Since that date market forces determine the HUF exchange rate to the Euro and other currencies.

Although the current government notes that adoption of the Euro remains a priority, a specific target date for entry has not been set. Recent reforms are helping to strengthen Hungary's fiscal sustainability and will bring Hungary closer to meeting the conditions required for entry into the Exchange Rate Mechanism II (ERM II), one of the "Maastricht Criteria" required for Euro adoption. With national elections in April 2010, the timing of Hungary's entry into the Eurozone will largely depend on the economic policies and priorities of the next government. All major political parties expressed support for Hungary's adoption of the Euro.

Short-term portfolio transactions, hedging, short and long-term credit transactions, financial securities, assignments and acknowledgment of debt may be carried out without any limitation or declaration. While the Forint remains the legal tender in Hungary, parties may settle financial obligations in foreign currency.

Hungarian legislation allows for profit repatriation and re-investment. The timeframe for remittances are in line with the financial sector’s normal timeframes (generally less than 30 days), depending on the destination of the transfer and if corresponding banks are easily found. There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs.

Expropriation and Compensation

Return to top

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

Dispute Settlement

Return to top

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

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

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

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

Performance Requirements and Incentives

Return to top

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

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

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

Parliament enacted a new National Development Plan for 2007-2013. In the Framework of the New Hungary Development Plan (NHDP), Hungary will receive around 7,000 billion HUF (22.4 billion Euros) from the EU. This will be complemented by the national public contribution amounting to 15 percent of the total available funding. The Hungarian government will add to this amount around 1,000 billion HUF. Projects using EU structural and cohesion funds will be subject to a series of requirements, including a portion of own-source financing. As these programs become implemented, the inflow of EU funds will create numerous opportunities for investment. In an attempt to ease the effects of the global financial crisis, the GOH initiated an economic stimulus package worth 1,400 billion HUF for businesses, including SMEs that have been particularly affected by the unavailability of credit. In the current climate, loans have been hard to obtain even for SMEs with good credit histories, and expiring loans have been hard to renew. The package includes a HUF 377 billion liquidity package (micro loans, SME loans, Hungarian Development Bank loans), a credit guarantee of HUF 76 billion, as well as interest and venture capital subsidies from the New Hungary Development Program and the New Hungary Rural Development Program. The division of EU Resources for the Sectoral Operative programs is as follows (2007-2013):

Sectoral Operative Programs	**Billion HUF**
Economic development	674,03
Transport	1721,47
Social Renewal	933,29
Social infrastructure	538,95
State Reform	40,61
Electronic Public Administration	99,49
Environment, Energy	1053,56
Implementation	94,88
National Performance Reserve	98,38
Regional Operative Programs	1620,59
NHDP total	**6875,25**

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

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

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

Right to Private Ownership and Establishment Return to top

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

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

The registration of business associations is compulsory in Hungary. All firms registered in Hungary are under the Court of Registration's legal authority. The Court maintains a fully computerized registry, provides public access to company information, and is developing an electronic filing system. The Court also enforces compliance with the Company Act, enacted in June 1998, which compels registry courts to process applications to register limited liability and joint-enterprise companies within 30 days (60 days for unincorporated business entities). If the court fails to act in the period, the new company is automatically registered. The act eliminated separate registrations at the tax and social security authorities. The minimum capital required for a limited-liability company is HUF 3 million and for a joint stock company it is HUF 20 million. As of July 1, 2008 businesses may be established in one hour's time electronically or by a simplified registration procedure. GOH announced the intention to decrease administrative burdens by 25 percent by 2012.

Protection of Property Rights Return to top

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

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

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

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

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

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

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

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

In January 2008, the GOH established a National Board Against Counterfeiting and Piracy (HENT), led by a government commissioner, the Hungarian Patent Office (HPO), and the Ministry of Justice (MOJ), with participation from law enforcement and other government agencies, various business chambers, industry associations, and NGOs. The Board established a strategy until the end of 2010, which was approved by the government in October 2008. Since its creation, the HENT has undertaken a number of positive measures to increase training of judicial and law enforcement officials, improve coordination between rights-holders and law enforcement officials, and increase public awareness of the importance of intellectual property rights protection. One area of ongoing concern, however, is that judges do not tend to impose deterrent-level sentences for civil and criminal IP infringement, although this is slowly changing.

Transparency of Regulatory System

Return to top

The regulatory process in Hungary is relatively open and transparent. Tax, labor, environment, health and safety laws are consistent with EU regulations. Laws before Parliament can be found on the Parliament website. Legislation, once passed, is published in a legal gazette and available online. The government often invites interested parties to comment on draft legislation but does not always incorporate that input into final documents. Foreign investors would like to see more consultations between government and stakeholders in drawing up regulations. Some regulatory functions are delegated to professional associations, such as medical and legal associations. In addition, several permanent advisory committees may review draft laws and rules. However, in most cases the government has complete discretion over who sits on these boards, over whether or not the boards see draft decrees before they are promulgated and whether or not to accept the boards' input in making final regulations. The bureaucratic procedures can be very lengthy.

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

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

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

In December 2009, Parliament passed new measures designed to reduce the possibility of corruption in public procurements by granting protection to whistleblowers, establishing a Public Procurement and Public Interest Protection Office, and supporting the use of "Integrity Pacts" in public procurements. Although a positive step, these new provisions have not yet entered into force in Hungary.

Efficient Capital Markets and Portfolio Investment

Prior to the global financial crisis, capital adequacy was not an issue in Hungary as funds were readily available for businesses due in large part to a large foreign presence and significant competition in the banking sector. Currently, however, banks are increasing their capital adequacy ratios to well above the required 8percent, and are reducing loan-to-debt ratios as well. Lack of confidence in financial markets affected Hungarian banks, many of which are now limiting foreign currency denominated lending, and previously popular CHF and JPY loans have largely disappeared. There are reports that HUF loans to businesses are hard to obtain as well, as banks increase their debt-to-loan ratios, forcing them to promote deposits aggressively and limit lending to the less risky consumer loan sector. On the whole, foreign investors continue to have equal access to credit on the local market, with the exception of special governmental credit concessions such as small business loans. Markets for direct finance are thin. Volumes on the stock exchange declined and the BUX plummeted to just above 12 thousand, about 50percent of the previous average index, but have since rebounded to near pre-crisis levels.

Hungary still has an impressively modern financial sector. In April 2000, the responsibilities of the Bank Supervisory Board were merged with the state insurance and pension supervisory agencies to form the Hungarian Financial Supervisory Authority (PSZAF). This body is a consolidated financial supervisor regulating all financial and securities markets. The PSZAF is independent, self-financing and well staffed, but lacks the ability to issue new regulations that carry legal force. In order to increase its ability to better foresee possible problems in the financial sector, PSZAF's authority was increased through a package of modifications to existing financial laws passed by Parliament in late 2009. These include stricter regulations on loans for private individuals, better information about exact loan conditions and costs, and a code of ethics for banks. These changes are designed to prevent individuals from taking on loans they are unlikely to be able to repay and provide better protection for those who cannot meet current installments and wish to change their loan conditions or opt for early repayment. Most of the new legislation entered into force on January 1, 2010. Additional draft legislation includes regulations empowering PSZAF to draft and submit legislation to Parliament. If passed, it would create a strong two-pillar system of control by the Central Bank and the PSZAF over the financial sector, and provide new tools to allow them to address systemic and other risks.

Competition from State-Owned Enterprises (SOEs)

Beginning in the 1990s, there has been considerable privatization of former state-owned enterprises. Today, few SOEs remain, and primarily operate in strategic sectors, for example in the areas of national security and transportation. We are aware of few complaints from private companies regarding competition from SOEs. In October 2009, however, newspapers reported that a private company was denied a license to provide express bus service between Budapest and five major Hungarian cities. The company would have competed directly with the state-invested Volán companies.

Corporate Social Responsibility (CSR)

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

Price Regulation and Liberalization

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

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

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

Portfolio Investment

The 1996 Offering of Securities, Investment Services and Securities Exchange Act, and the 1990 Securities and Stock Exchange Act govern the public issuance and trading of bonds, shares and other securities. The Budapest Stock Exchange (BSE) has 35 members, which are licensed-broker or broker-dealer companies, including several U.S.-based firms. It is a full member of the Federation of International Stock Exchanges and an associate member of the International Securities Market Association. The total market capitalization in 2009 amounted to EUR 62.8 billion, of which shares amount to EUR 20.5 billion, government bonds and treasury bills amount to EUR 36.5 billion. Average daily turnover was EUR 78 billion, which is 9.6 percent lower than in 2008. In November 2005, the BSE integrated the Commodity Exchange, creating a commodities section. In December 2009 the BSE listed a total of 69 issuers. These include 46 equity, 5 bond, 3 mortgage, 15 investment funds, and one government bond and T-bill issuer. 66 percent of capitalization is concentrated in four companies (MOL, OTP, Magyar Telecom and Richter).

Political Violence Return to top

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

Corruption Return to top

The Hungarian Ministry of Justice is responsible for combating corruption. There is a growing legal framework in place to support its efforts. Hungary is a party to the OECD Anti-Bribery Convention and has incorporated its provisions into the penal code, as well as subsequent OECD and EU requirements on the prevention of bribery. Hungary adopted a national strategy on combating corruption and passed two modifications of the Criminal Code in 2001 (Act CXXI and CIV). Parliament also passed the Strasbourg Criminal Law Convention on Corruption (Law XLIX of 2002) and the Strasbourg Civil Code Convention on Corruption (Law L of 2004). Hungary is a member of GRECO (Group of States against Corruption), an organization established by members of the Council of Europe to monitor the observance of their standards for fighting corruption. Transparency International (TI) is active in Hungary and its 2009 Corruption Perceptions Index rates Hungary 46th out of 102 countries (1st being best), more favorably than most other countries in the region, but worse than Hungary’s 2004 ranking of 34th.

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

While legislation is in place, persistent suspicion of corruption in some government procurement actions has arisen, due to a lack of transparency and an uneven implementation of the laws to prevent corruption. Non-governmental organizations, the business community, and foreign governments share many of these concerns, and maintain an ongoing dialogue with the government to identify strategies to improve conditions. The GOH has also set up an Anti-Corruption Coordination Board, led by the Ministry of Justice, with participation from other government ministries, chambers and NGOs, which submitted a strategy and action plan to Parliament in 2008. Another issue TI actively supports is a transparent party financing system, especially important before elections in April 2010.

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

Bilateral Investment Agreements

Return to top

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

Hungary has bilateral investment treaties with the following countries: Argentina, Australia, Austria, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Egypt, Finland, the Federal Republic of Yugoslavia, France, Germany, Great Britain, Greece, Indonesia, Israel, Italy, Kazakhstan, Kuwait, Luxembourg, Malaysia, Moldova, The Netherlands, Norway, Paraguay, Poland, Romania, Slovakia, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, Uruguay and Vietnam.

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

Taxation

In 2009, the Bajnai government enacted tax reforms aimed at encouraging employment and growth by reducing the tax burden on labor, while remaining revenue neutral by offsetting tax cuts with increases in consumption and wealth-based taxes. The tax changes eliminated the 4 percent so-called "solidarity tax," but the corporate tax was increased from 16 to 18 percent. Employer welfare contributions were lowered, the brackets for the two tax rates broadened, and tax rates lowered, creating a flatter system. Currently there is a tax rate of 17 percent for annual income below HUF 5 million and 32 percent for incomes exceeding this amount. Despite the tax cuts, Hungary still maintains a relatively high tax wedge.

As several newly acceded EU members decreased both their corporate and personal income tax rates and/or switched to a one-tier tax system, Hungary faces strict competition in the region. Additionally, businesses sometimes complain that they are targeted for lengthy audits and competition investigations. Tax changes in the government reform program had the effect of abrogating certain preferential tax agreements for foreign investors.

OPIC and Other Investment Insurance Programs

Return to top

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

Labor

Return to top

Hungary's civilian labor force of 3.9 million persons is highly skilled. Literacy exceeds 98 percent and about two-thirds of the work force has completed secondary, technical or vocational education. Hungary is particularly strong in engineering, medicine, economics, and science training. An increasing number of young people are attending U.S. and European-affiliated business schools in Hungary. Foreign language skills, especially in English and German, are becoming more widespread.

Hungary's unemployment increased from 7.9 percent in 2008 to 10.4 in 2009, and is currently exceeding the EU-27 rate of 9.3 percent and that in all of the neighboring countries. The labor participation rate is still low by European standards at 55.6 percent, which is 1.6 percent lower than in 2008. Despite increasing rate of unemployment, in certain sectors there still is a shortage of skilled and well educated employees. Regional differences in employment opportunities still prevail. The northwest region of the country sometimes sees shortages of skilled workers, particularly in the financial and marketing sectors, but east of the Danube unemployment levels are above average, though the labor force is cheaper and comparably skilled. The government is now turning its focus to help education adapt better to labor market requirements and is encouraging cooperation between higher education institutions and the business arena. Wages in Hungary are significantly lower than those of Western Europe. Average Hungarian labor productivity is lower than the EU average, but greater than that of other Central and Eastern European economies.

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

Roles of Government and Trade Unions

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

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

Foreign-Trade Zones/Free Ports

Return to top

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

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

Foreign Direct Investment Statistics

Return to top

According to the National Bank of Hungary, foreign direct investment between 1995 and the third quarter of 2008 amounted to EUR 60.4 billion (which includes shares, other participation, and reinvested incomes). Since a record high of EUR 6.2 billion in 2005, FDI has been declining. (EUR 5.7 billion in 2006, EUR 4.2 billion in 2007, and EUR 3.0 billion in 2008). In 2009 and 2010, as a result of the global economic crisis, FDI inflow is expected to fall to EUR 1.5-3 billion, before recovering somewhat in 2011. Leading foreign investors include Germany, Austria, the Netherlands and the United States. Seventy-seven percent of total FDI is from the EU. 36.5 percent of cumulative FDI in Hungary is in manufacturing, 14.8 percent in trade and retail, 12 percent in services, and 12 percent in financial activity. Hungary has a reasonably significant level of foreign investment abroad, primarily through acquisitions in other Central and Eastern European countries. By the third quarter of 2009, total Hungarian investment abroad amounted to 11.1 billion Euros. The majority of this is directed to services and crude oil processing.

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

Among the largest non-U.S. foreign investors in Hungary are: Deutsche Telekom, Audi, Nokia, Telenor, Vodafone, E.ON, Sanofi-Aventis, Electrolux, RWE, Tesco Global, Suzuki Motor, Auchan, Hankook, Mercedes Benz, SAP, ABB, Philips, CP Holdings and Robert Bosch.

Return to table of contents

Chapter 7: Trade and Project Financing

- How Do I Get Paid (Methods of Payment)
- How Does the Banking System Operate
- Foreign-Exchange Controls
- U.S. Banks and Local Correspondent Banks
- Project Financing
- Web Resources

How Do I Get Paid (Methods of Payment)

Return to top

Hungary EU-harmonizing reforms have created a financial environment where virtually all capital related institutions, products, and services can be found. The Hungarian Forint has been fully convertible for all financial transactions since 2001, when the last legal restrictions were lifted.

Foreign investors control 80 percent of the banking sector in Hungary. The dominance of foreign ownership has been crucial in upgrading the formerly one-level banking sector to a double-level one meeting international standards as well. The U.S. exporter should be aware that access to capital in Hungary is still difficult and limited, compelling many Hungarian SMEs to depend on self-financing, including payments for imports. For this reason, exporters tend to offer 60-day payment terms to their Hungarian customers only after establishing a track record for payments. A banking account at a commercial bank is required to register and run a company in Hungary. Wire transfers are used for over 80 percent for payment transaction, and new customers are sometimes required to pay in advance. A letter of credit is often used for more significant and high-value first transactions before mutual trust develops between partners. Credit cards are also used but mostly for individual purchases. The largest commercial banks in Hungary are: OTP - Hungarian Savings Bank, Hungarian Foreign Trade Bank (MKB), Citibank, Commercial and Credit Bank (KHB), Budapest Bank –GE Capital, Erste Bank Volksbank, UniCredit Bank, CIB Bank. (for more detailed information see below)

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

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

How Does the Banking System Operate

Return to top

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

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

The National Bank of Hungary (MNB) exercises considerable influence in the banking sector and monetary policy and maintains price stability. The MNB has ended most of its commercial functions and relies primarily on controlling the size of mandatory reserves and the base rate to influence the country's economy. Hungary's legislation allows for "universal banking," entitling appropriately licensed banks to provide a full range of securities transactions, including trade in stocks and publicly placed corporate bonds.

Foreign financial institutions can open and operate branch offices in Hungary. Wholly-owned subsidiaries or branches of foreign banks are acquiring an increasing share of Hungary's market. The banking sector is also consolidating, with larger banks acquiring or merging with smaller ones.

As the Hungarian banking system continues to develop, new types of credit and financial institutions are entering the market, including mortgage banks and home-savings institutions.

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

Foreign-Exchange Controls

Return to top

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

U.S. Banks and Local Correspondent Banks

Return to top

There are currently two major U.S. banks in the Hungarian marketplace.

Budapest Bank ZRt
(A GE Capital Affiliate)
Mr. Sean Morrissey, President and CEO
Vaci Ut 188, H-1138 Budapest
Tel: (36 1) 450-6000 Fax: (36 1) 450-6001
Web Address: http://www.budapestbank.hu E-mail: info@budapestbank.hu

Citibank ZRt
Ms. Barbara Sianturi, President - CEO
Szabadsag ter 7, H-1051 Budapest

Tel: (36 1) 374-5000, Fax: (36 1) 374-5100
Web Address: http://www.citibank.hu

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

National Savings & Commercial Bank - OTP Bank
(floated on the Budapest Stock Exchange)
Dr. Sandor Csanyi, Chairman and CEO
Nador u 16, H-1051 Budapest
Tel: (36 1) 473-5000, Fax: (36 1) 473-5955
Web Address: http://www.otpbank.hu, E-mail: otpbank@otpbank.hu

K & H Bank ZRt
(owned by KBC Bank, Belgium)
Mr. Marko Voljc, CEO
Vigado ter 1, H-1051 Budapest
Tel: (36 1) 328-9000, Fax: (36 1) 328-9696
Web Address: http://www.khb.hu, E-mail: mailto:bank@kh.hu

Hungarian Foreign Trade Bank ZRt (MKB)
(majority owned by Bayerische Landesbank, Germany)
Mr. Tamas Erdei, Chairman & CEO
Vaci utca 38, H-1056 Budapest
Tel: (36 1) 327-8600, Fax: (36 1) 327-8700
Web Address: http://www.mkb.hu, E-mail: telebankar@mkb.hu

Central-European International Bank ZRt (CIB)
(fully owned by Intesa Holding, Int'l, Italy)
Mr. Tomas Spurny, CEO
Medve utca 4-14, H-1027 Budapest
Tel: (36 1) 423-1000, Fax: (36 1) 489-6500
Web Address: http://www.cib.hu, E-mail: cib@cib.hu

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

Project Financing

Return to top

Project finance through corporate bond issues has limited business opportunities in Hungary as only some blue-chip companies, commercial banks and local subsidiaries of multinationals have issued corporate bonds in Hungary. The Export-Import Bank of the United States and the U.S. Overseas Private Investment Corporation currently offer financing, insurance, and loan guarantees in the Hungarian market. A few multilateral development banks and other international financial institutions operate in Hungary.

EU REGULATIONS

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

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

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

Tenders for these EU-funded projects in Hungary face no nationality requirement (although partnership with a local entity is required). This presents opportunities for U.S. firms.

The European Investment Bank (EIB) is the financing arm of the EU. Projects financed by the EIB must contribute to the socio-economic objectives set out by the EU, such as helping less developed regions, improving transport and telecommunication infrastructure, or promoting growth, competitiveness and employment in Europe.

The CSEU Tenders Database

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

EU Structural Funds

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

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

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

The Cohesion Fund

The Cohesion Fund is another instrument of EU structural policy. Its EUR 61.5 billion (2007-2013) budget seeks to improve cohesion within the EU by funding transport infrastructure and environmental projects in Portugal, Spain, Greece and the twelve new (since 2004) EU Member States from Central and Eastern Europe. These projects are generally co-financed by national authorities, the European Investment Bank, and the private sector.
Key Link: http://ec.europa.eu/regional_policy/funds/cf/index_en.htm

The Trans-European Networks

The European Union also provides financial support to the Trans-European Networks (TENs) to develop infrastructure, strengthen cohesion and increase employment across greater Europe. Launched at the Essen Counsel (Germany) in 1994, the TENs are a series of transport, telecommunications and energy projects that are continually being expanded and upgraded. The TENs are largely financed by private sector and non-EU sources. The EU does, however, provide grants from the Cohesion Fund, loans from the European Investment Bank (and loan guarantees from the European Investment Fund), and partial feasibility study grants for the TENs. There are no overt EU restrictions on the participation of U.S. firms in the TENs. There are no overt EU restrictions on the participation of U.S. firms in the TENs.
Key Link: http://ec.europa.eu/ten/transport/index_en.htm

Other EU Grants for Member States

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

The US Mission to the European Union in Brussels has developed a database to help US-based companies containing two types of EIB tenders: EIB tenders and public tenders from European countries and EIB public procurement contracts in non-EU countries. The EIB-financed contracts that are open to US-based companies are featured in this database. All the tenders in this database are extracted from the EU's Official Journal. The EIB database contains on average of over 100 tenders and is updated twice per week.
Key Link: http://www.buyusa.gov/europeanunion/eib.html

External Assistance Grants

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

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

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

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

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

- ENPI: replaces the former TACIS and MEDA programs. The European Neighborhood Policy program covers the EU's neighbors to the east and along the southern and eastern shores of the Mediterranean i.e. Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel,

Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine. ENPI budget is €11,9 billion for 2007-2013.
http://ec.europa.eu/world/enp/index_en.htm

Loans from the European Investment Bank

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

While the EIB mostly funds projects within the EU, it lends outside the EU as well (e.g., in Central, Eastern and Southeastern Europe; Latin America; and Pacific and Caribbean states). In 2007, the EIB approved loans for projects worth EUR 56.4 billion, of which around 16percent was lent outside the EU. The EIB also plays a key role in supporting EU enlargement with loans used to finance improvements in infrastructure, research and industrial manufacturing to help those countries prepare for eventual EU membership.

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

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

The EIB's i2i (Innovation 2010 Initiative) is designed to highlight projects that support innovative technology in the European Union, in particular by financing broadband and multimedia networks; the physical or virtual infrastructure providing local access to these networks; and research and development infrastructures, especially in the less developed regions of the European Union. i2i will also finance projects to computerize schools and universities and to provide information technology training in conjunction with public authorities.

Key Link: http://www.eib.org/Attachments/thematic/innovation_2010_initiative_en.pdf

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

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

Web Resources Return to top

EU websites:

Future project proposals: http://ec.europa.eu/regional_policy/atlas2007/fiche_index_en.htm.

The EU regional policies, the EU Structural and Cohesion Funds:
http://ec.europa.eu/regional_policy/index_en.htm

The Trans-European Networks (TENs): http://ec.europa.eu/ten/transport/index_en.htm

EU Grants and Loans index: http://ec.europa.eu/grants/index_en.htm

EuropeAid Co-operation Office: http://ec.europa.eu/europeaid/index_en.htm

IPA: http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/index_en.htm
The European Investment Bank http://www.eib.org/

EIB-financed projects: http://www.eib.org/projects/index.htm?lang=-en.

The EIB's i2i (Innovation 2010 Initiative):
http://www.eib.org/Attachments/thematic/innovation_2010_initiative_en.pdf

U.S. websites:

CSEU Tender Database:

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

Market research section on the website of the US Mission to the EU:
http://www.buyusa.gov/europeanunion/mrr.html

European Union Tenders Database:
http://www.buyusa.gov/europeanunion/euopportunities.html

Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov

Return to table of contents

Return to table of contents

Chapter 8: Business Travel

- Business Customs
- Travel Advisory
- Visa Requirements
- Telecommunications
- Transportation
- Language
- Health
- Local Time, Business Hours and Holidays
- Temporary Entry of Materials and Personal Belongings
- Web Resources

Business Customs

Return to top

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

Travel Advisory

Return to top

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

Visa Requirements

Return to top

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

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

State Department Visa Website: http://travel.state.gov/visa/visa_1750.html
Consular Section, U.S. Embassy Budapest: http://budapest.usembassy.gov/consular2.html

For information on this topic please consult the Commerce Department's Country Commercial Guides on EU Member States: EU Member States' Country Commercial Guides

Alternatively, search the Commerce Department's Market Research Library, available from: http://www.export.gov/mrktresearch/index.asp under Country and Industry Market Reports.

Telecommunications

Return to top

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

Transportation

Return to top

Delta Airlines offers direct service between New York and Budapest. In addition, United, American, and Continental have code-share agreements with European airlines to offer joint services to Budapest.

Hungary's well-developed transportation infrastructure simplifies and speeds domestic travel. Railway lines crisscross the country to connect most cities. The "Inter-City" line provides first-class, express service to several cities. A hydrofoil ferries passengers to Vienna and Bratislava. Hungary's highways, which are generally good, are undergoing a major improvement to meet EU standards. Express toll highways connect Budapest west to Vienna, south to the Serbian border, and east almost to the Ukrainian border. The M6 highway between Budapest and Pecs (south west to Croatia) is under construction.

Budapest is served by an efficient public transportation system, based on three subway lines, supplemented by a comprehensive bus, tram, and trolley system. Taxis are also readily available. Phoning for a taxi from one of Budapest's major companies, rather than hailing off the street, helps ensure the appropriate fare. Taxis from Budapest's airport to downtown cost roughly US$35. An airport shuttle offers reliable service and costs around US$20.

Language

Return to top

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

Health

Return to top

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

Local Time, Business Hours, and Holidays

Return to top

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

New Year's Day	January 1, 20010
Revolution Day	March 15, 2010
Easter Monday	April 5, 2010
Labor Day	May 1, 2010
Whit Monday	May 24, 2010
National Day	August 20, 2010
Republic Day	October 23, 2010
All Saints' Day	November 1, 2010
Christmas Day	December 25, 2010
Boxing Day	December 26, 2010

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

Temporary Entry of Materials and Personal Belongings

Return to top

Duty-free status applies to personal belongings that visitors with permanent residence outside Hungary carry or send into Hungary and intend for use during their stay. It also applies to personal belongings, except consumer durables, that permanent residents of Hungary take abroad for more than 24 hours and return with. Duty-free status can only be claimed once a day. Hungarian law requires materials that enter Hungary temporarily and return to the United States, such as exhibition goods, are delivered with ATA Carnet documentation and preregistered with the Hungarian Customs Authorities. Information and contact are available at the website of the Hungarian Customs Headquarters Central Hungary Regional Directorate: http://www.vam.hu/welcomeEn.do

Web Resources

Return to top

http://hungarystartshere.com/
http://hungary.com
http://www.traveltohungary.com
http://www.gotohungary.com/information
http://www.erceurope.com/contact.htm
http://www.vam.hu/welcomeEn.do
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1137.html
http://www.atacarnet.com

http://www.usembassy.hu

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research, and Trade Events

• Contacts
• Market Research
• Trade Events

Contacts

Return to top

Homepages of Hungarian Government Ministries/Organizations:

Government of the Hungarian Republic: http://www.meh.hu/kormany
http://www.magyarorszag.hu/english
The Prime Minister's Office: http://www.meh.hu
Ministry for National Development and Economy : http://nfgm.gov.hu/en
Ministry of Transport, Telecommunication and Energy:
http://www.khem.gov.hu/en
Ministry of Foreign Affairs: http://www.mfa.gov.hu
Ministry of Finance: http://www.pm.gov.hu/web/home.nsf/frames/english
Ministry of Environment and Water: http://www.kvvm.hu
Ministry of Agriculture and Rural Development: http://www.fvm.hu
Ministry of Local Government & Regional Development: http:// www.otm.gov.hu
Ministry of Social Affairs and Labor: http://www.szmm.gov.hu
Ministry of Health: http://www.eum.hu
Ministry of Defense: http://www.hm.gov.hu
Ministry of Education and Culture: http://www.okm.gov.hu
Ministry of Justice & Law Enforcement: http://www.irm.gov.hu
National Development Agency: http://www.nfu.hu
National Bank of Hungary: http://www.mnb.hu
Hungarian Export-Import Bank Rt: http://www.eximbank.hu/en/
Hungarian National Property Management Co. (MNV ZRt.): http://www.mnvzrt.hu/
Hungarian Competition Authority: http://www.gvh.hu
Hungarian Trade Licensing Office: (under supervision of Ministry of Economy and Transport): http://www.mkeh.hu
National Communications Authority: http://www.hif.hu
Council of Public Procurement: http://www.kozbeszerzes.hu
Hungarian Energy Office: http://www.eh.gov.hu
Embassy of the Republic of Hungary: http://www.hungaryemb.org
The Hungarian Investment and Trade Development Agency (ITD Hungary): http://www.itd.hu
Trade and Industry Associations:
Hungarian Advertising Association: http://www.mrsz.hu
Association of Direct Selling: http://www.dsa.hu
Hungarian Banking Association: http://www.bankszovetseg.hu
Association of the Hungarian Chemical Industries:http://www.mavesz.hu
Association of the Plastics Industry: http://www.huplast.hu
Association of Hungarian Insurance Companies: http://www.mabisz.hu
Federation of Hungarian Printers and Paper Makers: http://www.fedprint.hu
Hungarian Chamber of Commerce and Industry: http://www.mkik.hu
Federation of Hungarian Industrialists: http://www.mgyosz.hu
Hungarian Association of IT Companies: http://www.ivsz.hu

Association of the Hungarian Electronic and Informatics Industries: http://www.meisz.hu
Hungarian Franchise Association: http://www.franchise.hu
Association of the Hungarian Pharmaceutical Manufacturers: http://www.magyosz.org
Association of the Hungarian Rubber: http://www.magusz.hu
Hungarian Chamber of Real-Estate Association: http://www.maisz.hu
National Association of Building Contractors: http://www.evosz.hu
Federation of Hungarian Food Industries: http://www.efosz.hu
National Association of the Hungarian Engineering Companies: http://www.magosz.hu
National Association of Packaging and Material Handling: http://www.csaosz.hu
American Chamber of Commerce in Hungary: http://www.amcham.hu

U.S. Commercial Service, Budapest

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

- Andrea Imrik, IT and Telecommunications sector
- Katalin Barazda, Franchise, Travel and Tourism sector
- Agnes Pandur, Environment Protection, Energy sector
- Zsolt Makai, Defense, Aviation, Safety and Security sector
- Csilla Viragos, Automotive, Plastics, Consumer Electronics sector
- Andrea Szabo, Administrative and Budget Analyst
- Cecilia Bihari, Commercial Clerk

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H-1054 Budapest
Tel: (36 1) 475-4090
Fax: (36 1) 475-4676
E-mail: mailto:budapest.office.box@mail.doc.gov
http://www.buyusa.gov/hungary/en/

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

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Beryl Blecher 32.2.508.27.47 mailto:beryl.blecher@mail.doc.gov

Deputy Senior Commercial Officer
Val Huston 32.2.508.27.55 val.huston@mail.doc.gov

Standards Attaché
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Market Access and Trade Compliance Attaché
Ashley Miller 32.2.508.27.69 ashley.miller@mail.doc.gov

Commercial Attaché
John Fay 32.2.508.28.40 john.fay@mail.doc.gov

NOAA Fisheries Representative

Stephane Vrignaud 32.2.508.28.42 stephane.vrignaud@mail.doc.gov

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U.S. Mission to the European Union
Rue Zinner 13
B-1000 Brussels, Belgium
Tel.: 32.2.508.27.46
Fax: 32.2.513.12.28
E-mail: brussels.ec.office.box@mail.doc.gov
Website: http://www.buyusa.gov/europeanunion

United States Department of Agriculture - Contacts at the U.S. Mission to the EU:
Office of Agricultural Affairs
U.S. Mission to the European Union
Rue Zinner 13
B-1000 Brussels, Belgium
Tel.: 32.2.508.27.60
Fax: 32.2.511.09.18
E-mail: AgUSEUBrussels@fas.usda.gov
Website: http://www.fas.usda.gov/posthome/useu/

Org Chart: http://useu.usmission.gov/agri/staff.html
The European Commission:
European Commission
Rue de la Loi 200 / Wetstraat 200
B-1049 Brussels, Belgium
Tel: 32.2.299.11.11 (switchboard)
Fax: 32.2.295.01.38 (also 295.01.39 and 295.01.40)
Websites: http://ec.europa.eu/index_en.htm (European Commission)
http://ec.europa.eu/comm/external_relations/us/intro/index.htm (EU-U.S. relations)

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

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

For Information on Customs-related Matters within the European Union:
Mr. Robert Verrue, Director General
Directorate General Taxation and Customs Union
Rue de la Loi 200
B-1049 Brussels

Tel: 32.2.295.43.76
Fax: 32.2.296.90.46
Website: http://ec.europa.eu/taxation_customs/customs/index_en.htm

Standards Contacts:

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

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

CENELEC – European Committee for Electrotechnical Standardization
Avenue Marnix 17
B – 1000 Brussels, Belgium
Tel: 32.2.519.68.71
Fax: 32.2.519.69.19
Website: http://www.cenelec.eu/

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

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

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

Business Europe
The Confederation of European Business
Avenue de Cortenbergh 168
1000 Brussels
Tel: 32.2.237.65.11
Fax: 32.2.231.14.45
Website: www.businesseurope.eu

European-American Business Council – EU Office
Rue de l'Industrie 26
B-1040 Brussels, Belgium
Tel: 32.2.513.38.72
Website: http://www.eabc.org/

European-American Business Council – US Office
919 18th Street, NW #220
Washington, DC 20006
Tel: (202) 828-9104
Fax: (202) 828-9106
Website: http://www.eabc.org/

The European Institute
1001 Connecticut Avenue, N.W., Suite 220,
Washington DC, 20036-5531
Tel: (202) 895-1670
Website: http://www.europeaninstitute.org/

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

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

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

The Transatlantic Policy Network

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

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

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

The Trans European Policy Studies Association (TEPSA)
11 Rue d'Egmont
B-1000 Brussels, Belgium
Tel: 32.2.511.34.70
Fax: 32.2.511.67.70
Website: http://www.tepsa.be/

Key EU-related websites:
For general information on the European Union
The EU's portal website
http://www.europa.eu

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

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

For information on topics related to doing business in the European Union EU's "One Stop Internet Shop for Business" (EU funds, technical standards, intellectual property law, and free access to public procurement tender notices via the Tenders Electronic Daily (TED) database).
http://ec.europa.eu/youreurope/business/index_en.htm

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

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

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

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

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

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

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

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

European Investment Bank, Luxembourg
http://www.eib.org/

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

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

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

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

Return to table of contents

Market Research

Return to top

For information on this topic please consult the Commerce Department's Country Commercial Guides on EU Member States: EU Member States' Country Commercial Guides

Alternatively, search the Commerce Department's Market Research Library, available from: http://www.export.gov/mrktresearch/index.asp under Country and Industry Market Reports.

Trade Events in Hungary - 2010

AGRO+MASHEXPO – Agricultural Machinery Exposition
Dates: January 27-30, 2010
Organizer: Hungexpo Zrt.
http://www.agromashexpo.hu

SZŐLÉSZET ÉS PINCÉSZET – Viticulture Exhibition
Dates: January 27-30, 2010
Organizer: Hungexpo Zrt.
http://www.szpkiallitas.hu

MAGYAR KERT – Hungarian Garden
Dates: January 27-30, 2010
Organizer: Hungexpo Zrt.
http://www.kertkiallitas.hu

BUDAPEST BOAT SHOW
Dates: February 11-14, 2010
Organizer: Hungexpo Zrt.
http://www.boatshow.hu

KARAVÁN SZALON – International Camping and Caravan Saloon
Dates: February 11-14, 2010
Organizer: Hungexpo Zrt.
http://www.boatshow.hu

GOLF EXPO
Dates: February 11-14, 2010
Organizer: Hungexpo Zrt.
http://www.golfkiallitas.hu

UKBA – International Confectionery, Baking Industry and Gastronomy Exposition
Dates: February 21-24, 2010
Organizer: Hungexpo Zrt.
http://www.ukba.hu

FOODAPEST – International Food, Beverage and Food Processing Machinery Exposition
Dates: February 21-24, 2010
Organizer: Hungexpo Zrt.
http://www.foodapest.hu

Travel Show – International Travel and Tourism Exhibition
Dates: March 4-7, 2010
Organizer: Hungexpo Zrt.
www.utazas.hungexpo.hu

KARÁT – International Jewelry Exhibition and Trade Show
Dates: March 4-7, 2010
Organizer: Hungexpo Zrt.
http://www.karat.hungexpo.hu

BUDAPEST MOTOR FESZTIVÁL - Budapest Motorbike Festival
Dates: March 19-21, 2010
Organizer: Hungexpo Zrt.
http://www.motor.hungexpo.hu

TUNING SHOW 2010
Dates: March 19-21, 2010
Organizer: TUNING SHOW KFT.
http://www.tuningshow.hu

FeHoVa – Fishing, Hunting and Arms International Exhibition
Date: March 25-28, 2010
Organizer: Hungexpo Zrt.
http://www.fehova.hu

EQUIFEST - A LÓ ÜNNEPE – International Equestrian Festival and Show
Dates: March 25-28, 2010
Organizer: Hungexpo Zrt.
http://www.alounnepe.hu
http://www.equifest.hu

CONSTRUMA – International Construction Exhibition
Dates: April 14-18, 2010
Organizer: Hungexpo Zrt.
http://www.construma.hu

CSODÁLATOS KÁVÉ – The Wonderful Coffee – 1st Hungarian Coffee Exhibition
Dates: April 23-25, 2010
http://www.csodalatoskave.hu

INDUSTRIA – International Industrial Exhibition
Dates: May 4-7, 2010
Organizer: Hungexpo Zrt.
http://www.industria.hu

ElectroSalon – International Trade Fair for Electronics, Electrical Technology and Automation
Dates: May 4-7, 2010
Organizer: Hungexpo Zrt.
http://www.electrosalon.hu

CHEMEXPO – International Chemical and Plastic Industry Exhibition
Dates: May 4-7, 2010
Organizer: Hungexpo Zrt.
http://www.chemexpo.hu

SECUREX – International Trade Exhibition for Labor Safety, Fire Protection and Security
Dates: May 4-7, 2010
Organizer: Hungexpo Zrt.
http://www.securex.hu

ÖKOTECH – International Trade Fair for Environmental Protection and Municipal Technology
Dates: May 4-7, 2010
Organizer: Hungexpo Zrt.
http://www.okotech.hungexpo.hu

RENEXPO® CENTRAL EUROPE - International Trade Fair for Renewable Energy and Energy Efficiency
Dates: May 27-29, 2010
Organizer: REECO Hungary Kft.
http://www.renexpo.hu

BNV – Budapest International Consumer Goods Fair
Dates: September 8-12, 2010
Organizer: Hungexpo Zrt.
http://www.bnv.hu

LIGNO NOVUM – WOODTECH – International Exhibition for Wood, Carpentry and Forestry Industries
Dates: October 6-9, 2010
Organizer: Hungexpo Zrt.
http://www.lignonovum.hu

HOVENTA – International Hotel and Catering Fair
Dates: October 19-22, 2010
Organizer: Hungexpo Zrt.
http://www.hoventa.hu

HÓ-SHOW – Show Show – Winter Sports and Recreation Trade Fair
Dates: November 12-14, 2010
Oganizer: Hungexpo Zrt.
http://www.hoshow.hu

SPA&WELLNESS – Health, Tourism and Lifestyles Trade Fair
Dates: November 12-14, 2010
Organizer: Hungexpo Zrt.
http://www.spahungary.hu

AUTOMOBIL
Dates: November 12-14, 2010
Organizer: Hungexpo Zrt.
http://www.automobil.hungexpo.hu

Trade Show Organizer Contact information:
HUNGEXPO Zrt.
H-1101 Budapest, Albertirsai út 10.
Tel: 36-1-263-6000 Fax:36-1- 263-6098

E-mail: mailto:info@hungexpo.hu
Web: http://www.hungexpo.hu

Return to table of contents

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/hungary/en/

Return to table of contents

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov