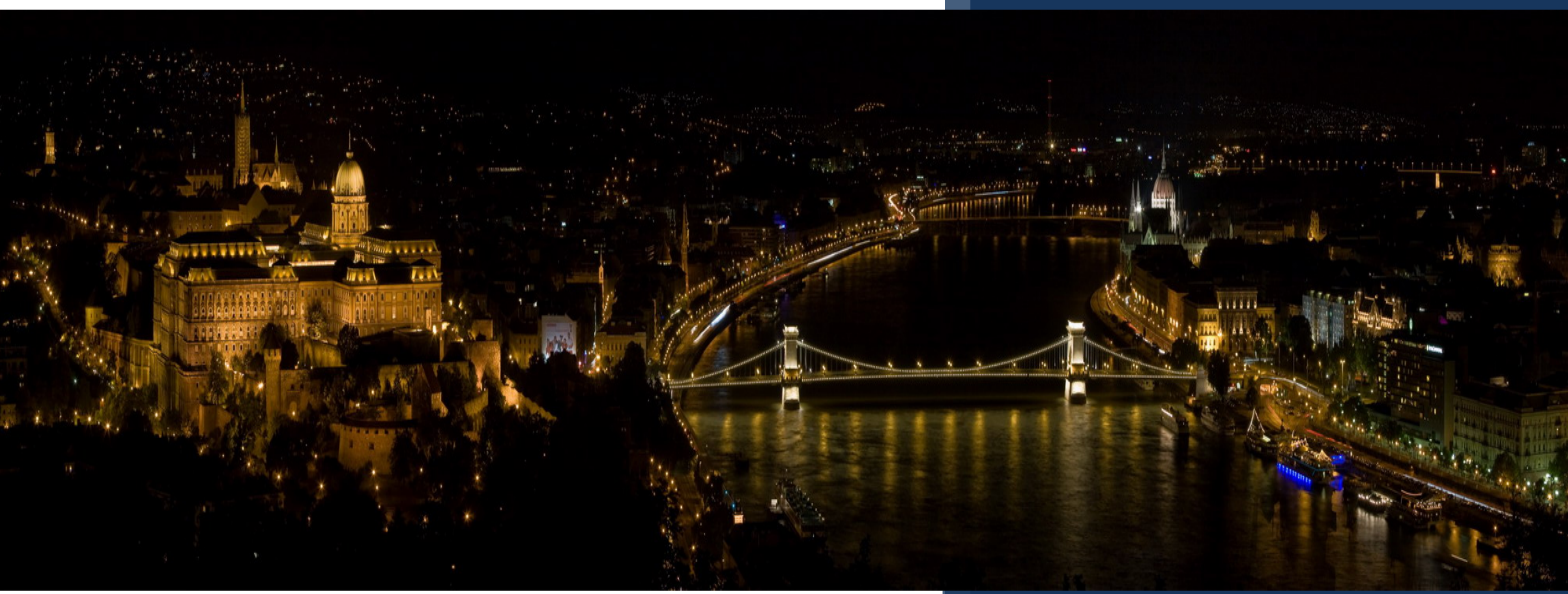
2013

COUNTRY COMMERCIAL GUIDE for U.S. Companies

Doing Business in HUNGARY



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Doing Business in Hungary:

2013 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Hungary

Market Overview Return to top

Hungary is located in Central Eastern Europe with a population of 10.1 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-27 average and total GDP is US$129 billion. The private sector accounts for more than 80 percent of GDP. Hungary's strategic location in Europe, access to EU markets, highly skilled and educated work-force, and sound infrastructure have led companies such as GE, Alcoa, Morgan Stanley, IBM and many others to locate facilities here, both in manufacturing and services. Currently, there are approximately 1800 partially owned and 128 wholly owned US companies operating in Hungary. Many of these companies find that Hungary's geographic position in Central Europe offers a strategic logistical hub within the region.

Foreign direct investment (FDI) in Hungary has helped modernize industries, create jobs, boost exports and spur economic growth. Cumulative FDI stock has totaled more than US $92 billion since 1989. The key sectors are automotive, IT, electronics, logistics and, more recently, shared services (e.g. back office and/or call center operations). 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 technologies and supplies.

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

Market Challenges Return to top

Hungary's emergence from the 2008/2009 global financial crisis has been impacted by the Euro crisis, the introduced austerity measures and sector taxes. The growth rate was -1.7 percent and the expected growth rate for 2013 is 0.5 percent. Hungarian exports, however -- particularly to neighboring countries and Germany -- are substantial and

Hungary maintains a trade and current account surplus. The unemployment rate increased from 10.8% in 2011 to 11.8% in 2012.

The government has continued its commitment to deficit reduction (particularly given Hungary's high debt to GDP ratio, which reached 82.2 percent in 2011-2012), and many outside observers, including international credit-rating agencies, have criticized the government's failure to enact structural reforms as a more fiscally sustainable way to meet budget targets, rather than through short-term tax increases and one-off measures. Other actions, including suspending payments into the private pillar of the pension system (which makes it financially disadvantageous for most beneficiaries who choose to remain in the private pillar of the pension system) and eliminating the independent Fiscal Council budget watchdog agency, have also drawn widespread criticism. In 2011, the three major credit rating agencies reduced their ratings on Hungarian bonds to the lowest investment grade, with announcing further downgrades, to junk status, in 2012. New foreign currency loans have largely disappeared from the market, but many companies and households still have high exposure to foreign currency loans. In wake of the recent downgrades and negative outlook, however, the government has turned to the EU and IMF to conduct negotiations and reach a credit arrangement.

At the end of 2011, the government also reached an agreement with banks to address the issue of foreign currency denominated household loans. It is estimated that half of Hungary’s household debt (USD 26.5 billion) is in Swiss francs. The agreement contains provisions to assist those most in need, by offering government rentals, interest and exchange rate subsidies, or conversions to forint loans, depending on the debtor’s financial solvency. Part of the agreement also eliminates the bank tax in 2014 (replacing it with an EU-wide bank tax) and provides incentives to banks to increase lending to SMEs and for the financing of EU projects.

The Ministry of Economy has started structural reforms intended to address medium and long-term fiscal concerns. In addition, the government hopes that the significant cuts both in the personal and corporate income tax rates will be able to spur longer-term growth, in the hope that it would have a positive effect on its budget.

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 1800 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 $92 billion since 1989. Among the important sectors: automotive, IT, logistics, manufacturing, electronics and, more recently, shared services (e.g., back office and/or call center operations). American companies have invested more than $9 billion in

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Market Entry Strategy

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

See chapter 9 for further details and contact information. To conduct a more thorough search for reports on specific industries and sectors within EU member states please consult the Commerce Department's Market Research Library:
http://www.export.gov/mrktresearch/index.asp

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Chapter 2: Political and Economic Environment

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

https://www.cia.gov/library/publications/the-world-factbook/index.html

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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

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

Distributors in Hungary can provide strategic support in positioning brands for the local market through advertising and promotional campaigns. Given their familiarity with local culture and business customs, distributors can also assist with after-sales service, which helps the U.S. firm’s image. Citing heavy trading competition and Hungary’s relatively small market, many distributors will negotiate for exclusivity, but U.S. firms can successfully insist on conditions for exclusivity or other concessions. Major European trade fairs are well attended by Hungarian trading companies, and can be good places to look for distributors. A direct link to upcoming trade events for 2013 can be found in Chapter 9.

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

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

Companies should also contact the Hungarian Investment and Trade Agency (HITA). HITA has the authority to enhance foreign direct investments into Hungary, and they also support Hungarian SMEs with business development services such as export promotion abroad.

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

EU REGULATIONS - Key Links:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML
http://eurlex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:048:0001:0010:EN:PDF
http://www.ombudsman.europa.eu/home/en/default.htm
http://ec.europa.eu/solvit/site/about/index_en.htm

Data Privacy and Protection

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Current Situation

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.

Transferring Customer Data to Countries outside the EU

The EU's current 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.

As a result, in 2000 the Department of Commerce and the European Commission negotiated the Safe Harbor agreement to provide U.S. companies with 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 current Directive), and by publicly stating 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 program do. 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 for the Safe Harbor.

Key links: U.S.-EU Safe Harbor Overviews

http://export.gov/safeharbor/eu/eg_main_018476.asp
http://export.gov/static/Safe%20Harbor%20and%20Cloud%20Computing%20Clarification_April%2012%202013_Latest_eg_main_060351.pdf

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, and were complemented in 2010 by contractual clauses on “sub-processing” (outsourcing by an EU based exporter of its processing activities to other sub-processors outside the EU). 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 have also developed 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 DPA approval of “binding corporate rules” (BCRs). A BCR is the international code of practice that a multinational corporation follows for transfers of personal data between the companies belonging to that corporation (worldwide intra-group transfer). BCRs are suitable for closely-knit, highly hierarchically structured multinational companies but not for loose conglomerates. Companies that set up BCRs that satisfy European DPAs are 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.

Proposed New Regulation

The EU's current data privacy legislation is undergoing review. A new commercial data protection regulation was proposed by DG Justice in January 2012 and is now being revised in the European Parliament and EU Council of Ministers. Ireland was able to make good progress while holding the rotating Presidency of the EU Council during the first six months of 2013. Lithuania will take on the Presidency as of July 2013, and its Ministry of Justice has indicated its intent to prioritize the revision of the proposed legislation. The Commission has pushed for adoption of the proposed regulation in 2014 before the European Parliament's general elections in June of that year.

If the December 2012 version of the regulation is adopted, it will impose significant requirements on European and U.S. businesses and on the way they are able to gather and utilize user data. It will also introduce substantial fines for offending companies (up to 2% of global revenue). For over two years, industry representatives have voiced their concerns to EU Institutions and Member State officials. In a Position Paper published in July 2012, the American Chamber of Commerce to the EU identified 10 key concerns with the proposed regulation:

- data breach notification
- consent
- definition of personal data, a child, and of public interest
- technical feasibility of the "right to be forgotten" provision
- extraterritoriality element that would hamper international data transfers

The implications of this proposed regulation go well beyond its immediate scope; in particular data privacy is an integral part of other current EU regulatory initiatives in ICT sectors such as cloud computing and cyber-security.

Key Links:
European Commission's Justice Directorate-General:
http://ec.europa.eu/justice_home/fsj/privacy/index_en.htm
http://ec.europa.eu/justice/data-protection/document/international-transfers/transfer/index_en.htm
http://ec.europa.eu/justice/data-protection/document/international-transfers/binding-corporate-rules/index_en.htm

AmChamEU position paper on the proposed regulation:
http://www.amchameu.eu/DesktopModules/Bring2mind/DMX/Download.aspx?TabId=165&Command=Core_Download&EntryId=7914&PortalId=0&TabId=165

Franchising Return to top

Currently, there are approximately 350 franchise operations in Hungary, half of which are foreign-owned. The U.S. hamburger chain McDonald's can be considered the "king" of fast-food franchisors in Hungary and Central Europe, as it has pursued a very successful transnational strategy. Others that have found success in the Hungarian market include Kentucky Fried Chicken, Burger King, Starbucks (AmRest), Curves, car rental companies Hertz, Avis and Budget are also well established. The Re/MAX real estate franchise began to build its Hungarian network in 2006 while Duna House and Otthon Centrum franchises started in 2000 and in 1999 respectively.

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, adopting local characteristics, 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 is no Franchise Law in Hungary and are not any 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. Generally speaking, U.S. businesses looking to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general. There are a number of laws that govern the operation of franchises within the EU, but these laws are fairly broad and generally do not constrain the competitive position of U.S. businesses. The potential franchiser should take care to look not only at the EU regulations, but also at the local laws concerning franchising.

EU REGULATIONS

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Direct Marketing Return to top

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

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

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

EU REGULATIONS - Key Links:
Consumer Affairs Homepage:
http://ec.europa.eu/consumers/index_en.htm
Consumer Rights:
http://ec.europa.eu/justice/consumer-marketing/rights-contracts/directive/index_en.htm
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0065:EN:NOT
http://ec.europa.eu/internal_market/e-commerce/index_en.htm

Joint Ventures/Licensing Return to top

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

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

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

Hungarian Bar Association: http://www.magyarugyvedikamara.hu/tart/index/130/1
Budapest Bar Association: http://www.bpugyvedikamara.hu/main_page/

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.

Selling to the Government

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Hungary's Act CXXIX on Public Procurement of 2003 was last modified in September, 2010. The new public procurement law was passed in 2011. The current law regulates only the various forms of procurement however the national thresholds are always contained in the actual Budget Law. In case of a general, simplified procurement, from January 1 through December 31, 2013, the national threshold for procurement of goods will remain at 8 million HUF (Hungarian Forints), which amounts to approximately USD 40,000. For construction, it is HUF 15 million (USD 75,000), and for services, HUF 8 million (USD 40,000). The national threshold for construction concession amounts to HUF 100 million (USD 500,000) and HUF 25 million (USD 125,000) for services concession.

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

The EU thresholds require open tenders (published in TED – Tenders Electronic Daily) for purchases of goods and services (except in R&D and telecom) exceeding EUR 130,000 (about USD 168,750) when procured by Hungary's Ministries, the Prime Minister's Office, or the Centralized Public Procurement Agency (CPA). For all other central or local government institutions, the open tender threshold for goods and services is EUR 200,000 (about USD 260,550). For construction and construction concession, the threshold is EUR 5,000,000 (approx USD 6,540,750) regardless of which public entity.

Hungary's CPA serves over 1,000 institutions that receive financing from the Hungarian central budget. The CPA generally requires procuring agencies to select from a centralized list of specific products and vendors. Tender announcements and decisions by Hungary's Commission of Arbitrators are published weekly in the Kozbeszerzesi

Ertesito (Public Procurement Review) at http://www.kozbeszerzes.gov.hu (Hungarian only). The Law on Public Procurement and related regulations, as well as Hungary's list of certified suppliers for public procurement projects, can be found at this Hungarian language website.

Key Links:

TED –Tenders Electronic Daily, Official Journal of the European Union
http://ted.europa.eu/TED/main/HomePage.do
Public Procurement Review www.kozbeszerzes.gov.hu

EU REGULATION - Key Link:
http://export.gov/europeanunion/grantstendersandfinancing/eu-fundedprogramsgrants/index.asp

Distribution and Sales Channels

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Budapest and its suburbs have become a preferred location for multinationals (e.g., GM/Opel, Ford, Pepsi, Coca-Cola, IBM, Hewlett-Packard, and AIG/Lincoln) to establish headquarters in Central and Southeast Europe. Nevertheless, while Hungary's retail and wholesale distribution operations are improving compared to Western Europe, weaknesses remain. For example, the trading company structure is relatively undercapitalized, and usually combines both retailing and wholesaling. In the first ten months of 2012, the overall volume of retail trade in Hungary decreased by 1.9 percent, compared to the same period of 2011. Retail growth is expected to increase this year and reach 1.2 percent annual growth rate in 2013 as a result of the decreasing inflation rate, releasing the burden of the central government's austerity measures for the consumers and decreasing the personal income tax.

The most successful distribution companies in Hungary are wholly-owned subsidiaries of international chains, such as Auchan, Tesco, Metro, OBI, Praktiker, and IKEA. The middle section of Hungary's distribution pyramid – stocking distributors and mass merchandisers - is not yet fully developed. A typical distribution channel in Hungary is for importer-wholesalers to service retailers and end-users directly. Hungarian agents or distributors usually look to and rely on foreign partners to share the marketing and promotion expenses and to provide training and financing. Until recently, small, family-owned shops dominated Hungary's retail sector especially in the less populated parts of the country. Thousands of these shops still continue to serve rural populations, posing logistical challenges for distributors and suppliers. However, medium-sized, financially well-established heavy-discount chains are making inroads in Hungary's retail sector; such chains include Real, RealPont having close to 3,000 shops and CBA with 3,342 stores nationwide. Discount food chain stores have also arrived onto the scene. Lidl has 158 stores nationwide, Aldi 116, Penny Market 191, Spar/Interspar has 356, and Profi 73.

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

Shopping malls have expanded rapidly, so much so that as of January 2012, a law dubbed by the media as the "plaza ban" came into effect. This law requires all retail developments of above 300 square meters to be personally approved prior to planning permission by the Minister for National Economy. The moratorium is to last until the end of 2014. The legislation was purportedly introduced in order to maintain the stability of the market, however opinions differ widely, and some view it as a protectionist measure. As of the end of 2012, twenty-six operated in Budapest, and another 21 in the smaller cities. The largest mall is Westend with 400+ shops, followed by Mammut I+II, 330 retail units, Arkad 1+2 with 290 and Arena with 200 shops.

Cash is still more dominant in Hungary but the number of retail transactions with bank cards (Visa, Amex and Mastercard) and credit cards issued by commercial banks has grown significantly in recent years. However, the use of credit cards fell from 2009 to 2012 by 10 percent. Particularly in cities, consumers tend to use bank or credit cards in shopping malls, hyper- and supermarkets. Fewer cards were issued in 2012 and many remained inactive or little used, but reports from consumer market researcher Euromonitor International found that the volume of transactions paid for by card grew during the year. Card payments still account for only a quarter of retail payments in Hungary, compared with 75 to 80 per cent of purchases in Western Europe. All commercial banks started to replace the magnetic bank cards with the chip-based bank cards in 2012.

Checks are not used at all. A wide and reliable network of automatic teller machines (ATMs) operates throughout Hungary. The use of these ATMs has also been favored by Hungarian consumers.

For EU 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.

Selling Factors/Techniques

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

U.S. companies should also be aware that access to capital is limited for many Hungarian firms. The inflation rate was 5.7 percent in Hungary in 2012 and lending rates fluctuate between 9 and 19 percent, some Hungarian companies and their customers cannot easily finance purchases locally. Most Hungarian firms are too small to offer stock or issue commercial paper. As a result, business, including paying for imports, largely depends on self-financing.

U.S. companies can mitigate financing risks and better compete with EU firms by directing their Hungarian customers to services like those of the U.S. Export-Import Bank.

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

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Electronic Commerce

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Citing the boost e-commerce could give Hungary's productivity and innovation, the Hungarian government continues to place a high priority on advancing this sector. E-commerce had a slow start in Hungary and continues to lag behind Western Europe. The most developed segment, however, is E-banking. More than 3.1 million retail clients and some 350,000 corporate clients used internet banking services at the end of 2012, up 14 percent and 7 percent, respectively, from 2010. More than 2.9 million retail clients and some 210,000 corporate clients had used mobile banking services by the end of 2012, up 8 percent and 7 percent, respectively, from twelve months earlier.

Online retailing continues to grow steadily despite the outbreak of the recession in 2008 which has heavily influenced retail trade. E-retailers expect to hit sales of HUF 177 billion, an increase of 14 percent, accounting for 3 percent of the total retail turnover. The majority of their revenues, almost 40 percent are generated in the last two months of the year as a result of the shopping frenzy before the holidays.

In addition, the average value of the online shopping cart is higher than that of traditional purchases. On the Internet a customer spends HUF 7,000 on average on a purchase while only HUF 3,000 in traditional commerce. Online customers are therefore more inclined to spend a bigger sum at one go, encouraged by the fact that most e-stores offer free delivery over a certain amount of spending. In 2012 there were roughly 600 electronic shops registered in Hungary.

EU REGULATIONS

The European Commission released a work plan in 2012 in order to facilitate cross-border online services and reduce barriers and released a report on implementation of the action plan in 2013.

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

Trade Promotion and Advertising

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

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

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

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

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

EU REGULATIONS - 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
http://ec.europa.eu/health/human-use/information-to-patient/index_en.htm
http://ec.europa.eu/nuhclaims/
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:304:0018:0063:EN:PDF
Directive 2002/46/EC
http://ec.europa.eu/food/food/labellingnutrition/supplements/index_en.htm

http://ec.europa.eu/health/tobacco/products/revision/

Pricing

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

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

Hungary's Value Added Tax (VAT) sharply increases the price of U.S. exports for Hungarian consumers. The Value Added Tax (consumption tax) is now 27 percent on most products and services.

The rate of inflation was 5.7 percent in 2012. Fluctuations in the exchange rate of the Hungarian Forint to other currencies make planning very difficult. Much of the population is indebted in foreign currencies (mainly Euro and Swiss Franc), so the weakening of the forint also significantly raises the burden of debtors including households, the business sector as well as the government.

Foreign companies operating in price-regulated sectors, such as energy and pharmaceuticals, have suffered decreased margins due to sector taxes and other austerity measures, government delays in adjusting prices upward and extending subsidies to new drugs.

Numerous EU-oriented reforms have removed price controls on most utilities. In the past few years, the Hungarian Government largely deregulated utilities and has brought up, or at least come closer, to EU pricing levels for electricity, gas and wastewater prices, which resulted in a significant price increase both for households and businesses. However, as of January 2013, the Government of Hungary introduced a 10 percent decrease on retail utility prices to consumers for electricity and gas heating and another 10 percent retail decrease is expected to be introduced as of July 1st, 2013 on water and sewage services. In some other sectors, stiff competition is going on. Such sectors include the telecommunications, cable or digital TV services, internet provider services sectors.

For EU 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.

Sales Service/Customer Support

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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.

Hungary is required to transpose EU directives listed below 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.

EU REGULATIONS – Key Links:

http://ec.europa.eu/enterprise/policies/single-market-goods/product-liability/
http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm
http://ec.europa.eu/consumers/rights/gen_rights_en.htm

Protecting Your Intellectual Property Return to top

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

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

- National Intellectual Property Right Protection Agency – http://www.artisjus.hu
- Hungarian Intellectual Property Office - http://www.hipo.gov.hu/English
- Hungarian Trademark Association - http://www.mve-trademark.hu
- Hungarian Anti-Counterfeiting Coalition (HENT) http://www.hamisitasellen.hu
- Business Software Alliance (BSA) – http://www.bsa.org

EU REGULATIONS – Key Links:
www.stopfakes.gov

http://www.uspto.gov/ip/global/attache/Attache_Contacts_2012-08.doc

Due Diligence
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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.export.gov/hungary

Product safety testing and certification is mandatory for the EU market. U.S. manufacturers and sellers of goods have to perform due diligence in accordance with mandatory EU legislation prior to exporting.

Local Professional Services
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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.export.gov/hungary

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

Management consulting firms:
Accenture Hungary: http://www.accenture.com/hu-hu/Pages/index.aspx
Hungarian Association of Management Consultants: http://vtmsz.hu/en/about-us/organs-of-the-association/

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

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

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

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

IT system integrators:
Synergon Informatika Rt.: http://www.synergon.hu/en/
Graphisoft: http://www.graphisoft.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-home.hu
http://www.gts.hu
http://www.invitel.hu

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

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://export.gov/europeanunion/businessserviceproviders/index.asp.

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.

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Hungary website:
http://www.export.gov/hungary

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

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

Commercial Sectors

Agricultural Sectors

Packaging Materials

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Packaging consumption in Hungary is recovering from the effects of the economic downturn in 2010 and 2011. According to the preliminary data presented by the Hungarian Statistical Office (KSH) from a quantity of 895,600 tons in 2008, the quantity of packaging used for placing packaged goods on the market decreased by a total of 12 percent in 2010 through 2011 reaching an estimated 780,000 tons which is still below the average consumption in Europe.

According to the Association of Hungarian Packaging and Material Handling Companies (CSAOSZ) the packaging industry grew at 4.4 percent in 2011 in value. The pace of growth if far less than it was experienced during 2010 (16.3 percent). In volume, the Hungarian packaging industry has decreased by 4.7 percent in 2011 but this data is based only on expert estimation. Paper was used as the most important packaging material both in value and volume. Other packaging materials are marginal.

In 2011 the use of plastic packaging has reached – in value – the level of paper but in 2012 the tendency turned back and plastic packaging usage was similar to that in 2009. The growth pace of these two packaging materials was almost parallel in the last ten years. The leading role of paper and plastic as packaging materials correlates with the international tendencies. It is also worth mentioning that the intense growth of use of metal packaging materials also in value. Regarding wood packaging materials the tendency of usage – in value – seems to be steady, but – in volume – after a short relapse – shows a moderate growth in volume since 2009. Glass packaging shows a slow and steady decline both in value and a more intense in volume.

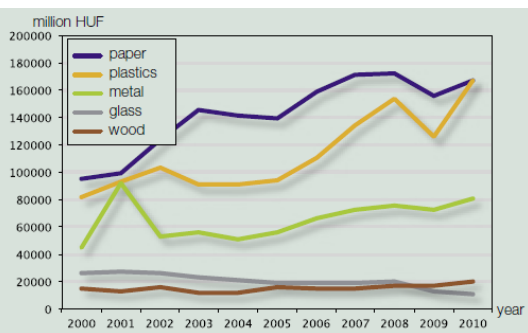

Figure 2. Hungary's packaging materials consumption of different packaging materials between 2000 and 2010, in value

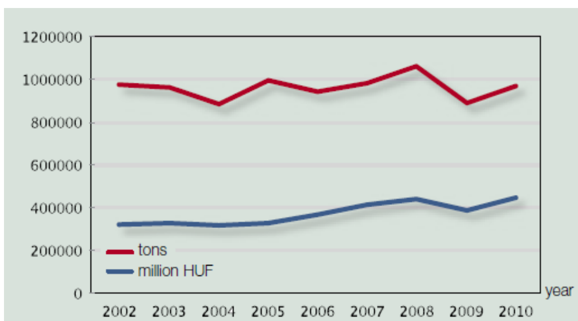

Figure 1. Total packaging material consumption in Hungary between 2002 and 2010 in value and in volume

Source: www.csaosz.hu

Metal packaging materials shows diverse tendencies. According to value data, since 2004 import exceeds the national production, however, during the analyzed ten years, in volume domestic production always dominated the import. In 2011 both export and import increased intensely. This packaging material type was the least affected by the crises started in 2008, which is probably caused by its role in packaging final consumer goods. Distribution of metal packaging main types in national production, according to statistics:

- Steel barrels, drums: 19 percent
- Steel cans: 54 percent
- Aluminum packaging means (including aerosol bottles): 21 percent
- Crown corks: 6 percent

Glass packaging materials the year 2011 was a turn point regarding value data. Export, import and national production also grew but not in the same pace that is why the total national consumption of glass packaging materials has decreased. A similar growth tendency can be seen in the volume data as well, while import has moderately decreased.

Analyzing the turnover of wood packaging materials – both in value and volume – all sales directions show growth since 2009. Distribution of wood packaging main types in national production, according to statistics:

- Pallets: 67 percent
- Barrels: 12 percent
- Boxes, drums: 18 percent
- Cable box: 3 percent

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In case of paper packaging materials, national production dominates and import exceeds the level of export. All the three areas (national production, import and export) are growing, and export and import show a flat tendency. Distribution of paper packaging main types in national production, according to statistics:

- Corrugated board products: 55 percent
- Cardboard boxes: 32 percent
- Paper sacks and bags: 6 percent
- Traditional labels: 3 percent
- Self-adhesive labels: 2 percent
- Corrugated paper: 2 percent

Although plastics packaging materials endured the largest decline in 2009 and 2010 in 2011 this tendency changed, turnover data in value broke a record but those in volume show a consolidated growth. In 2012 level of usage decreased both in value and volume in comparison with 2011, however data show increase compared to 2009 which was the worst year. The level of plastics packaging export shows a steady growth in the last ten years. Distribution of plastics packaging main types in national production, according to statistics:

- Bags, sacks: 30 percent
- Boxes, crates: 10 percent
- Bottles, ballons: 22 percent
- Other: 38 percent

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Since larger plants are able to produce in greater quantities, their presence in the marketplace often makes it difficult for smaller firms to compete on price. In Hungary, the plastic industry consists of plastic raw materials production and plastic processing. Producers are responsible for making the plastic raw materials, while processors use plastic raw materials to manufacture end-products such as tubes, pipes, hoses, floor covers, plates, sheets, films, boxes, bags, and household articles. Polypropylene (PP) and polyethylene (PE) films are both used in the packaging industry. Mineral water and soft drink consumption is growing steadily. PET, HDPE and LDPE are processed into plastic bottles, food containers and bags used in the food and cosmetics industries. The trend is to package more food items individually, which in turn requires more packaging materials. The major raw material, PVC, is necessary for cable and wire manufacturing, as well as pipe manufacturing. Plastic materials also are important components in the production of apparel and sporting goods. There are about 300 small and medium sized plastic product producers in Hungary. In most cases they use extrusion or injection molding technologies for the production of plastic products. There are good opportunities for U.S. companies to supply extrusion or injection molding technologies, color concentrates, additives, granules and other materials needed in plastic production.

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The Hungarian Packaging Association - www.csaosz.hu

Biotechnology

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The Hungarian biotechnology industry is a strategic industry in Hungary. Unlike several other sectors, biotechnology recovered well from the crisis, and in fact achieved exceptional growth: the total revenue of Hungarian biotech companies increased to USD 102 million in 2011 from USD 21 million in 2004 representing a CAGR, while employment grew to 1,816 in 2011 from 590 in 2004.

The Hungarian Biotechnology Association (HBA) prepared the first national biotechnology strategy paper in 2005 which got updated in 2009 and the strategy became and essential part of the "New Szechenyi Plan", the new Government's economy development program in 2011. At least three of the seven "break-out points" of the New Szechenyi Plan are biotech related: Health Industry, Green Economy, Science and Innovation. Since 2005, the global recognition of Hungarian biotech companies has increased and a few of them have become outstanding global market leaders in niche segments and could expand internationally.

Recent years have brought significant changes to the Hungarian biotech financing landscape. Hungarian biotech has been growing practically without venture capital in the first decade of its existence, significantly relying on grant moneys. In 2010, eight Hungarian venture capital funds have been set up under the EU/national/ privately co-financed JEREMIE Venture Capital Program which shall invest USD 232 million to domestic SMEs by the end of 2013. The timing was perfect as Hungarian biotech companies were suffering from both the financial crisis and the "freeze" of the national R&D grand support system.

The following multinational biotech companies have subsidiaries in Hungary: Amgen, Genzyme, LAB, LGC Promochem, Merck, Miele, Monsanto, Pioneer Hi-Bred, Roche, Sigma-Aldrich, SL-Europe Biotechnology, SPSS and World Courier Hungary.

Regulations and Other Legislation: The industry is typified by close cooperation between the public and private sectors, resulting in effective regulatory structures and relatively open dialogue between government, industry, consumers, and environmental groups. Hungary has developed strict but workable legislation for biotechnology, which strives to guarantee a high level of safety for humans, animals and the environment. As a result the country has taken a leading role in stimulating constructive, open and clear dialog between industry and consumer organizations.

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The National Biotechnology Strategy and Action Plan (2010-2030) includes broad vision for this period for all four subsectors according to which the Hungarian biotech sector will strengthen further and become one of Europe's significant bioregions, which is globally recognized. Hungary is targeted to become the "island of health" in Europe and become a leading service provider in bioinformatics services and genomics of several selected disease groups. Hungary has good chances to achieve a globally significant position in segments, where the infrastructure and the know-how is present in the country such as clinical trial of new drugs, development of biopharmaceuticals based on recombinant proteins and monoclonal antibodies, in-vitro diagnostics, plant breeding, animal biotechnology, biorefinery, use of bioreactors.

The traditionally strong Hungarian pharmaceutical industry established a knowledge base and skilled workforce in Hungary that enabled the creation of a therapeutics developing red biotech subsector, unique in the CEE region and also strong in international comparison. The therapy development area has become more important within the red biotech during the past couple of years, as more and more originally research technology/service provider companies started their own product development programs. Key representatives of such biotech companies: Gedeon Richter, Egis and Solvo Biotechnology.

	2010	2011
Biotech companies	82	85
Employees	1794	1816
Employees in R&D	630	650
Revenue Total	USD 98 million	USD 103 million
Export Revenue	USD 35 million	USD 37 million
R&D Spending	USD 25 million	USD 26 million

Source: Hungarian Biotechnology Association

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Red biotech clearly dominates the sector in Hungary based on both the number of companies, employment and revenue. Forty three percent of all Hungarian biotech companies reported biotech as their primary area. The sector underwent an extreme fast growth period between 2004 and 2008: red biotech and bioinformatics revenues grew at 3 percent annually.

Exports of the Hungarian biotech sector was USD 37.7 million in 2011. Practically all export revenue came from red biotech (USD 27.5 million) and bioinformatics (USD 8.7 million). R&D spending of the Hungarian biotech sector was USD 26.1 million in 2011. 95 percent of all R&D spending took place in red biotech (USD 20.3 million) and bioinformatics (USD 2.9 million).

According to the National Biotechnology Platform, there are about 250 biotechnology research and education institutions active in scientific areas of potential biotechnology applications. Out of 250, 185 operate in Budapest and its close region and there is red biotech and bioinformatics companies cluster in the major university towns: 55 companies in Debrecen and East Hungary, 34 in Szeged and South East Hungary and 20 in Pecs and South West Hungary.

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Hungarian Biotechnology Association – www.biotechszovetseg.hu

Safety and Security

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The safety and security equipment market has become one of the most promising sectors for U.S. exporters in the Hungarian market in the past few years. It was valued at approximately USD 4.3 million in 2012 and consists of over 900 companies employing about 24,000 people and contributes 0.76 percent to the GDP. The industry is comprised of a sizable number of small and mid-sized locally based firms and multinational companies' local subsidiaries. The main U.S. players including Honeywell, GE, UTC Fire and Security, and DuPont, for example, are present in the market.

The domestic market is mostly dominated by imported equipment especially in the high-tech end of security products. Typically, physical security services are provided by local companies, due to local standards and licensing requirements. The market for fire safety and technological security is one of the best organized segments within industry, which is regulated by the National Directorate General for Disaster Management under the Ministry of the Interior.

Market analysis for this sector is complicated by the difficulty in obtaining reliable statistical data from the National Statistical Office (KSH) or any other sources.

	2011	2012	2013 (estimated)
Total Market Size	4150	4260	4290
Total Imports	2650	2840	2890
Imports from the U.S.	850	874	910

The above statistics are from the National Statistical Office and industry resources.

Foreign companies are active in the supply of equipment and systems for perimeter security, CCTV and video-surveillance systems; access control systems, screening equipment, and fire protection systems. French, German, Italian, American, Israeli, Japanese, Chinese and Taiwanese companies are active in the market. The following systems have local production, too: data protection systems, optical registration devices, systems for technical safety of buildings, fire alarm systems, signal receiving equipment, cryptographic security units. There are several some developers for biometric identification systems, biometric access control and time and attendance systems.

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The safety market is forecast to remain stable in 2012. Technologies in this segment are mature, and economic uncertainty will continue to decelerate investments in R&D that already saw significant contraction in 2011 and 2012. These factors, coupled with potential developments in the standards area that should impact future development of newly resourced materials and equipment and present opportunities for advanced U.S. technologies.

Airport security continues to be a priority as some regional airports have initiated development projects including airport security equipment and upgrade of border crossing points at these regional airports.

During the last few years, the security and building automation market saw an overall increase of 3.8 percent. The anti-intrusion equipment segment saw an increase of 4.2 percent, while the CCTV component increased by 7.6 percent, due in great part to the move away from analog toward digital solutions. Solutions that improve energy efficiency and promote sustainable development will find opportunities in the market.

Within the anti-intrusion sector, access control remains an important and highly competitive area. The industry is migrating toward IP and integrated solutions. The trend is to move away from proprietary technology toward open systems that allow the integration of multiple applications. Other drivers include the growth of time and attendance applications, the demand for smart card and optical card systems, the need to reduce fraud and gained acceptance of biometric systems. Training for integrators and installers is essential in order to effectively meet end user needs.

End users of safety and security products are varied and include private and public organizations, banks, and private citizens. While public spending will remain weak in the near term, continued opportunities exist among large organizations, banks and private citizens. Approximately 2 million homes lack security systems. A sense of vulnerability and insecurity, particularly among the female population, is increasing.

Urban security is a prime concern, particularly with the recent rise of crime and burglaries. Opportunities exist for private security operators – such as security guard service companies – to provide technology and services to private citizens. Examples of public-private collaboration include municipalities and private security service companies that utilize public security cameras and CCTV systems installed by banks, pharmacies, etc, to survey areas and provide services to businesses or private citizens, all in cooperation with the municipal police.

Within the safety area, potential opportunities exist in CBRN protection, particularly for new, advanced sensors that reveal chemical agents and provide more effective protection. In terms of investments in this niche market, only minor cuts have been seen in the budgets of the responsible agencies.

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Equipment with the greatest sales potential includes:

CBRN solutions and tools
Advanced video surveillance monitoring solutions
Platform/sensor land border surveillance and detection systems
Automated home protection solutions
Screening and X-Ray systems for airports, customs, and public facilities (office buildings, logistic centers, warehouses)
Access control systems

Security cameras for large facilities
Wireless security solutions

Hungarian users have high consideration for advanced and sophisticated American systems. Security products with new and innovative features are well received. Strong after-sales service, maintenance and training are essential to success.

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Security Management - http://www.securitymanagement.com/

Franchising

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Franchising in Hungary started in the 90′s, after the collapse of the old political regime in 1989, by the opening of important hotels chains and by the entry of the most famous fast food multinational, McDonald's. Since that time franchising has been developing swiftly in the country.

The Hungarian franchise community consists of approximately 350 companies; the number of franchisees is approximately 20,000 in Hungary and more than 100,000 employees work in the franchise sector including suppliers. With these numbers Hungary is ahead of the neighboring countries. These networks, some of which have only a few members, and some which link thousands of businesses, have combined revenues running into the billions of dollars. Twenty six percent of the foreign-owned franchise networks in Hungary are owned by US companies. The U.S. hamburger chain McDonald's can be considered the “king” of fast-food franchisors in Hungary and Central Europe, as it has pursued a very successful transnational strategy. Others that have found success in the Hungarian market include Kentucky Fried Chicken, Burger King, Starbucks (AmRest), Curves, car rental companies Hertz, Avis and Budget, and porcelain refinishing franchisor Kott Koatings are also well established.

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. Generally speaking, U.S. businesses looking to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general.

The benefits of franchising your business in Hungary include: more freedom, as the franchisee takes on major responsibilities, minimal expense, lower cost and higher profits, potential for fast growth and brand building.

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Fast Food and Coffee Franchises:
Food and coffee chains are hot business opportunities for the Hungarian market, especially for the country's capital, Budapest. The currently operating franchises in this sector such as McDonald's, Burger King, Starbucks, TGI Fridays are profitable in the market. There are good prospects for such companies targeting the higher end costumers, as there are fewer companies serving them compared to a growing demand for hip and good quality restaurants and coffee houses. There is also a dynamically growing number of young tourists in Budapest, who could be a good target audience as well.

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There is a large number of franchise companies operating in Hungary, primarily because of the country's favored location in the heart of Europe, its relatively cheap workforce and the growing demand for quality products and services. Fast food and coffee franchises offer the best opportunities on the market.

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Hungarian Franchise Association www.franchise.hu

Franchise Portal www.franchiseportal.hu

Travel and Tourism

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Number of foreign visitors in Hungary:

	Day visitors (thousand)	1-3 nights (thousand)	4 or more nights (thousand)	Total (thousand)	Average expenditures person/day
2009	31 565	4 355	4 703	40 624	12 400 HUF
2010	30 394	4 975	4 535	39 904	12 400 HUF
2011	31 054	5 327	4 923	41 304	12 100 HUF
2012	33 212	5 125	5 228	43 565	11 800 HUF

Hungary offers many diverse tourist destinations: besides the capital city Budapest tourists can visit the mountains in the north-west, the Great Plain in the east, lakes and rivers of all sorts (including Balaton - the largest lake in Central Europe), and many beautiful small villages and hidden gems of cities. The country attracts a growing number of tourists every year – in 2012 more than 43 million foreign visitors arrived to Hungary.

Most of the foreign tourists chose Budapest as their primary destination in Hungary, in 2012 almost 40 percent of them visited the capital city. Most of the foreign-owned hotels, restaurants and other tourism related investments are based in Budapest as well. Most of the foreign travelers arriving to Hungary are day visitors; the average length of stay of foreigners in the country is 2.4 days (3.3% increase compared to the previous year).
Recently, the country's capital got increasing international attention from the tourism industry. In November 2012, Lonely Planet, the largest travel guide book publisher in the world listed Budapest between the hottest winter destinations to visit.

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Hotels and lodging

There are numerous foreign-owned hotels in Hungary including the American hotel chains Marriott (which has 3 hotels in Budapest) and Hilton (with 2 hotels in Budapest). In 2012, the number nights foreign visitors spent in commercial hotels and lodgments grew by 8.5 percent to 11 299 804 nights, while the number of foreign visitors in commercial hotels and lodgments grew by 8.1 percent (the EU average growth was 4 percent for 2012). The highest growth was measured at the 4 star hotels in Hungary – 18.1 percent.

Health tourism

Because of an advantageous geographical location, thermal water can be found with good quality and in great quantities on over 80% of Hungary's territory. Approximately 1 500 thermal springs can be found in Hungary and there are approximately 450 public baths in the country. In addition to its wonderful thermal waters, Hungary offers excellent plastic surgery, ophthalmological and dental services as well. This is the reason why Hungary has become a prime health tourism destination and the centre of dental services and treatments in Europe. High-level services at a reasonable price characterize the Hungarian medical tourism scene.

Medical hotels attracted 10.2 percent more visitors in 2012 than in the previous year. 54 percent of the visitors were domestic travellers, foreign visitors of these hotels primarily came from Germany, Russia, Austria and the Czech Republic. Wellness hotels also have increasing popularity in Hungary, they realized 11.2 percent increse of visitors in 2012.

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Hungary is an attractive destination for tourists from all over the globe – it is one of the 15 most popular tourist destinations in the world. The number of foreign and domestic visitors show dinamic increase every year. There are promising opportunities in the hotels and lodging sector and in medical tourism in Hungary.

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Hungarian Tourism Ltd. www.itthon.hu
Central Statistical Office – Tourism www.ksh.hu/tourism_catering?lang=en
Budapest Info http://www.budapestinfo.org/health_and_beauty.html
Medical Tourism Guide – Hungary medicaltourismguide.com/destinations/hungary/

Greenbuild Products and Technologies (BLD) (REQ)

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	2008	2009	2010	2011	2012
Production value of construction in Hungary	2012	1980	1 792	1 685	1 617

Hungary saw a decline in the construction industry during 2009-2011 due to the global economic slowdown; however in 2012 the volume of construction in Hungary started to realize a slight increase. The government's $33.6 billion Széchenyi Plan for 2011-2014 is expected to boost infrastructure investments in the country. The government also announced the Home Creation Program. The program will restore the social housing subsidy and grant interest rate-subsidized forint loans to for buying new or resale homes, housing construction or renovation. In order to reduce the country's dependency on fossil energy Hungary is considering the expansion of the nuclear power plant in Paks. Another opportunity could be the support of renewable energies by the government and the European Union.

Buildings account for 34% of Hungary's primary energy consumption. More than 60% of the domestic buildings were constructed before 1980. The thermal properties of most existing buildings, even recent constructions, are extremely poor. The average annual specific heat requirements are well over twice the level found in Western European countries with comparable heating seasons. With renewable energy technologies the energy consumption of these buildings could be reduces by almost 60 percent. (Source: Export Council for Energy Efficiency).

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

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Presented in January 2011, the New Széchenyi Plan emphasizes (among many others) to support more energy efficient residential buildings and in order to do this funds are made available by the state. There are four main subprograms:

1. New Green Building Program

The aim of this program is to stimulate the construction of energy efficient buildings. Nowadays the Hungarian authorities oblige a level “C" energy certificate. For a new building Level "B" is only 5% more efficient then level "C" therefore its more rational to support level A, A+ and A++. This program offers financial contribution in case of buildings constructed either with traditional methods or with an energy efficient technology.

2. Liveable Panel Program

This program focuses on renovating buildings to make them more energy efficient and also cultivate the surroundings. Buildings constructed before 1992 with less efficient technologies, equipped with a central heating are the focus-group. The program is available to individuals and residential communities.

3. Heating Efficiency Program

The program targets the reconstruction of heating systems in order to make them more efficient, as ineffective heating systems have a major impact of the building’s energy certificate. The program supports the audit of the system, and it also encourages using renewable energy sources when it comes to refurbish the existing one.

4. Our-home Renovation program

Self-contained houses and semidetached houses constructed before 1992 with a bad isolation and an in effective heating system can apply in this program. The program is available to individuals and residential communities.

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The renewal of energy systems in buildings and other green construction projects are a high priority for the Government of Hungary and are heavily subsidized through various programs. The government is focusing on solving the housing question as well; construction of state-rented houses should give a boost for the industry.

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The National Federation of Hungarian Contractors	http://www.evosz.hu
Hungarian Concrete Association	http://www.beton.hu
The Hungarian Chamber of Commerce & Industry	http://www.mkik.hu
Hungarian Central Statistical Office	http://portal.ksh.hu
Energyclub Energy Policy Institute	http://energiaklub.hu
World Construction Network	http://www.worldconstructionnetwork.com

Consumer Goods & Electronics, IT and Mobile Devices, plus other AV Equipment

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Unit: HUF billion

	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1
Consumer Electronics – Total Demand	77,99	81,83	87,24	138,74	86,65

* *GfK Temax Hungary, GfK*

Data Sources: Hungarian Central Statistical Office, GfK Hungaria, eNet

In comparison to a few years of sluggish growth, the demand for consumer electronics is showing signs of growth.

The sale of consumer goods and electronics in Hungary has actually increased by 11% in the first quarter of 2013 in comparison to 2012. The greatest growth in demand has been measured in tablets, smart phones, flat screen TVs and DSLR cameras. The greatest jump is associated with the sale of tablets. Whereas high price at the beginning of 2012 stalled much growth, by the end of the year lower prices allowed a boom like demand in this area.

Sale of consumer electronics have increased by 2.4% in comparison to last year. The most surprising increase is linked to the sale of cameras, DSLR and compact cameras which in comparison to 2012 rose by 17.5%. The same positive development is seen in the field of television sets where the sale of LCD TV sets has risen by 13%. In comparison, just as last year, interest in DVD players, video cameras, home video and audio entertainment systems are continuing to decline.

Mobile telephone subscription at the end of 2012 was around 11.6 million. The number of mobile Internet subscriptions in Hungary continues to rise and is around 3 million in 2013. The transfer of data has more than doubled in 2012. The sale of smart phones continues at a very fast pace. Currently, almost a third of Hungarians already own and use a smart phone – around 2,4 million, while general mobile phone usage is around 6,8 million. Over two thirds of smart phone users regularly use mobile internet.

In the area of consumer goods, smaller household appliances such as food processors, hair care and dental hygiene appliances showed the most increase to last year, whereas more traditional appliances such as vacuum cleaners, toasters, kettles had no significant growth at all. In reference to large household appliances in the Hungarian market, washing machines and dryers are the driving forces of this segments, but an increase has also been measured in the sale of washing machines, ovens, freezers which are usually good indications in which way the market is developing.

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Demand for digital TV sets will continue to drive spending as Hungary makes further progress towards digital broadcasting. Other growth drivers will include tablets, digital cameras, portable audio and video media devices, eBooks, portable game consoles.

Computerized national education, such as increasing the number of PCs, IT classes at schools and digital boards, has also been introduced in most secondary and limited primary schools. By the end of 2011 close to 6,250 digital boards were used in school in Hungary.

Mobility is the key word for years ahead in Hungary. Smart phones and other mobile devices are top sellers. According to a recent GfK Survey, people using smart phones in Hungary download an average 16 applications and use 6 of them regularly. Other portable media devices are definitely in high demand by younger Hungarian consumers. With around 1.1 million MP3 players, 560 thousand portable video players, and 2.7 million digital cameras sold, this product segment retained a high level of sales. Portable navigation devices are still very popular as well, with sales of 200 thousand units.

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Hungarians of all ages love music, creating a strong demand for new, high quality sound technology; Hungarians under 30 are avid MP3-4-5 and iPod users. The sale for such devices is seasonal, over 70 percent of annual sales happen before Christmas. The other most favored seasonal gifts are portable AV goods such as digital cameras, LED and 3D television sets, tablet PCs, netbooks, GPS, iPhones and cell phones with Android operation systems.

Digital channels have rapidly expanded and is replacing analog in Hungary making appropriate television sets a lucrative business. The most popular brands are: Samsung, LG, Sony, Panasonic and Sharp. 3D TV technology set sales are marginal and are still considered a luxury item due to high retail prices, but as technology evolves and prices are likely to decrease, there is a promising future for 3D TV sets sales in Hungary. The demand for digital TVs will soon surpass that for analog sets. Currently 70 percent of broadcasting is via cable and only 30 percent is via terrestrial digital, competing with mobile TV, IPTV and satellite broadcasting.

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

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Email: bianka.wallner@trade.gov
Website: http://export.gov/hungary/

Shared Service Centers and Call Centers (GSV)

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With around 70 SSCs operating in Hungary, shared service centers (SSCs) remain popular in Hungary and the sector still has significant room for growth. Systemax' EMEA Pan –European Technology Products Group and Randstad Sourceright, a global talent solutions leader are the latest to establish SSCs in Hungary. Continuing investments in this sector carries on as the latest trend is that SSCs moved back from very cheap countries like India to the CEE region. U.S. companies such as Morgan Stanley, ExxonMobil, National Instruments, HP, IBM, Celanese, Albemarle, and AGCO are present in the market. SSCs account for more than 30,000 jobs in Hungary. Over 80 percent of employees at SCCs have university degree. While most SSCs operate in Budapest, there are some notable exceptions: **IBM** and **Sapa** in Székesfehérvár (Central Hungary); **Budapest Bank** in Békéscsaba (East Hungary); Magyar Telekom (IT Services Hungary), **British Telecom** and **Vodafone** in Debrecen (East Hungary) and Miskolc (NE Hungary).

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Business Process Outsourcing (BPO), Business Service Centers (BSCs)

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Hungary is an attractive destination for SSCs due to its central location in Europe, its accessibility and the well established local infrastructure, and well-qualified, educated workforce with good language skills. Recent college graduates are eager to work for big multinationals, which offer them a wide range of career development opportunities, and many graduates have unique language skills. Salaries and other costs are relatively low, and low-cost office space is widely available. In addition to Hungarian workers, Hungary's educational system draws in international students from neighboring countries as well as from the Middle East and overseas, creating a dynamic multicultural, multilingual environment not to mention a highly educated and flexible workforce that is the main driver for SSCs. SCCs have close working relationship with major universities throughout the country and often recruit their future employees from the graduates.

There are numerous SSCs, Business Process Outsourcing (BPO) and Business Service Centers (BSCs) established in Hungary. Most of the regional centers specialize in finance, accounting, HR, IT, procurement and other front and back office activities. Opportunities also exist for centralizing high-level IT processes and engineering.

Renewable Energy (REQ)

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The EU "20-20-20" Goals include binding targets to raise the share of renewable energy in the EU to 20 percent by 2020. The Government of Hungary has made a commitment to the EU to increase the share of sustainable energy in the aggregate national output to 14.5% by 2020 and has gone as far as ca. 20% for 2030. For 2011-2012 renewable energy accounts for around 7.9% of Hungary's total energy generation. Last year, the government published the Hungarian Energy Strategy 2030 supporting renewable-based heat generation in addition to green electricity and the subsidized feed-in of biogas, and the use of renewable energy sources (with particular regard to biomass and geothermal energy) and waste-to-energy.

Biomass: Biomass represents the largest source of renewable energy in Hungary at over 70 percent. There are eight power plants in the country that run on biomass. In order to utilize its potential, the country adopted a New Hungary Rural Development Program which supports the production of energy crops. Currently biomass is produced mainly from forestry materials, while less from food processing, livestock production and herbaceous plants.

Biogas: There are now around forty-one plants in Hungary utilizing biogas. The country operates one of the biggest biogas facilities in Europe, in Nyírbátor.

Wind Energy: There are currently 50 wind farms operating in the country - that is 24,37% of the total renewable energy production. Hungary does not have any pumped storage power plants and the 80 percent reserve capacity required by wind energy generation has to be provided by gas fueled plants. As a result of this, the total capacity of wind energy is limited.

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

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

Hydro Power: The 31 hydropower plants, about 8.62% of all renewable energy, have a combined installed capacity of 55 MW and an annual output capacity of 200 GWh a year. Due to geographical conditions, limited future developments are anticipated, but there have been news about a hydro power plant in Békésszentandrás.

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

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

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

Feed-in-tariff system “KÁT”

The system sets the term and the amount of renewable electricity that is to be sold at that tariff according to the pay-back time of the investment. The electricity produced from renewables by a facility with an installed capacity of over 100 kW and connected to the grid has to be purchased by the regional electricity supplier or by the electricity provider. The system was modified in favor of smaller plants and those providing remote heating in 2008 and further modifications are expected in 2014.

EU Funds

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

National Energy Program

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

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Hungarian Academy of Sciences (Centre for Energy Research)	http://energia.mta.hu/
Hungarian Energy Office	http://www.eh.gov.hu/
Hungarian Wind Energy Association	http://www.mszit.hu
Energyclub Energy Policy Institute	http://energiaklub.hu
National Development Agency	http://www.nfu.hu/

Agricultural Sectors

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Planting Seeds

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Unit: 1,000 Metric Tons

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	189	206	210	198
Total Local Production	238	260	260	250
Total Exports	66	70	68	69
Total Imports	17	16	18	17
Imports from the U.S.	4	2	3	3
Exchange Rate: 1 USD	198	212	220	222

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

Sub-Sector Best Prospects

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

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

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Bovine Semen

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Unit: USD million

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	6.10	6.22	6.22	6.10
Total Local Production	3.70	3.70	3.65	3.60
Total Exports	0.20	0.28	0.23	0.25
Total Imports	2.60	2.80	2.80	2.75
Imports from the U.S.	1.25	1.75	1.80	1.80
Exchange Rate: 1 USD	198	212	220	222

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

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

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Poultry Breeding Stocks

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	24.00	45.20	42.00	43.5
Total Local Production	51.00	51.50	52.00	54.00
Total Exports	59.10	50.00	48.00	48.00
Total Imports	32.10	43.70	38.00	37.5
Imports from the U.S.	1.75	2.50	1.80	1.75
Exchange Rate: 1 USD	198	212	220	222

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.

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Dried Fruits and Nuts (incl. Peanuts)

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Unit: USD million

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	31.6	38.0	37.8	30.5
Total Local Production	17.7	22.0	23.50	20.0
Total Exports	7.6	18.4	12.2	14.5
Total Imports	21.5	34.4	26.5	25.0
Imports from the U.S.	1.8	2.0	1.9	1.8
Exchange Rate: 1 USD	198	212	220	222

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

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Best prospects are in raisins and almonds

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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

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. The VAT on most goods and services is 27 percent. In addition to the 27 percent VAT, there is an 18 percent VAT category for certain products such as dairy products, bakery products and commercial accommodation 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. Nontariff barriers resulting from the adoption of EU sanitary regulations have been detrimental to U.S. exports.

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

Trade Barriers

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For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website:

http://www.ustr.gov/sites/default/files/2013%20NTE%20European%20Union%20Final.pdf

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

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

Import Requirements and Documentation

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The TARIC (Tarif Intégré de la Communauté), described above, is available to help determine if a license is required for a particular product.

Many EU member states maintain their own list of goods subject to import licensing.
For example, Germany's "Import List" (Einfuhrliste) includes goods for which licenses are required, their code numbers, any applicable restrictions, and the agency that will issue the relevant license. The Import List also indicates whether the license is required under German or EU law. For information relevant to member state import licenses, please consult the relevant member state Country Commercial Guide: EU Member States' Country Commercial Guides or conduct a search on the Commerce Department's Market Research Library, available from: http://www.export.gov/mrktresearch/index.asp.

Import Documentation

The Single Administrative Document

The official model for written declarations to customs is the Single Administrative Document (SAD). Goods brought into the EU customs territory are, from the time of their entry, subject to customs supervision until customs formalities are completed. Goods are covered by a Summary Declaration which is filed once the items have been presented to customs officials. The customs authorities may, however, allow a period for filing 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 is filed 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.

The Summary Declaration can be made on a form provided by the customs authorities. However, customs authorities may also allow the use of any commercial or official document that contains the specific information required to identify the goods. The SAD serves as the EU importer's declaration. It encompasses both customs duties and VAT and is valid in all EU Member States. The declaration is made by whoever is clearing the goods, normally the importer of record or his/her agent.

European Free Trade Association (EFTA) countries including Norway, Iceland, Switzerland, and Liechtenstein also use the SAD. Information on import/export forms is contained in Council Regulation (EEC) No. 2454/93, which lays down provisions for the implementation of 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.

More information on the SAD can be found at:
http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/sad/

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

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

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

The Modernized Customs Code (MCC) of the European Union is expected to be fully in place by June 2013. Some facets of the MCC have already been implemented including EU wide Economic Operators Registration and Identification (EORI) numbers. The MCC replaces existing Regulation 2913/92 and simplifies various procedures such as introducing a paperless environment, centralized clearance, and more. Check the EU's Customs website periodically for updates: http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm

New U.S. - EU Mutual Recognition Arrangement (MRA)

Since 1997, the U.S. and the EU have had an agreement on customs cooperation and mutual assistance in customs matters. For additional information, please see http://ec.europa.eu/taxation_customs/customs/policy_issues/international_customs_agreements/usa/index_en.htm

In 2012, the U.S. and the EU signed a new Mutual Recognition Arrangement (MRA) aimed at matching procedures to associate one another's customs identification numbers. The MCC introduced the Authorized Economic Operator (AEO) program (known as the "security amendment"). This is similar to the U.S.' voluntary Customs-Trade Partnership Against Terrorism (C-TPAT) program in which participants receive certification as a "trusted" trader. AEO certification issued by a national customs authority is recognized by all member state's customs agencies. An AEO is entitled to two different types of authorization: "customs simplification" or "security and safety". The former allows for an AEO to benefit from simplifications related to customs legislation, while the latter allows for facilitation through security and safety procedures. Shipping to a trader with AEO status could facilitate an exporter's trade as its benefits include expedited processing of shipments, reduced theft/losses, reduced data requirements, lower inspection costs, and enhanced loyalty and recognition.

The U.S. and the EU recognize each other's security certified operators and will take the respective membership status of certified trusted traders favorably into account to the extent possible. The favorable treatment provided by mutual recognition will result in lower costs, simplified procedures and greater predictability for transatlantic business activities. The newly signed arrangement officially recognizes the compatibility of AEO and C-TPAT programs, thereby facilitating faster and more secure trade between U.S. and EU operators. The agreement is being implemented in two phases. The first commenced in July 2012 with the U.S. customs authorities placing shipments coming from EU AEO members into a lower risk category. The second phase will take place in 2013, with the EU re-classifying shipments coming from C-TPAT members into a lower risk category. The U.S. customs identification numbers (MID) are therefore recognized by customs authorities in the EU, as per Implementing Regulation 58/2013 (which amends EU Regulation 2454/93 cited above): http://ec.europa.eu/taxation_customs/resources/documents/customs/procedural_aspects/general/implementing_regulation_58_2013_en.pdf

Additional information on the MRA can be found at:
http://www.cbp.gov/linkhandler/cgov/trade/cargo_security/ctpat/ctpat_program_information/international_efforts/eu_faq.ctt/eu_faq.pdf

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 2006 Directive applies to all batteries and accumulators placed 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_4062262.pdf

REACH
REACH, "Registration, Evaluation and Authorization and Restriction of Chemicals", is the system for controlling chemicals in the EU and it came into force in 2007 (Regulation 1907/2006). Virtually every industrial sector, from automobiles to textiles, is affected by this policy. REACH requires chemicals produced or imported into the EU in volumes above 1 ton per year to be registered with a central database handled by the European Chemicals Agency (ECHA). Information on a chemical's properties, its uses and safe ways of handling are part of the registration process. The next registration deadline is **May 31, 2013**: http://echa.europa.eu/web/guest/reach-2013. 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 (ORs) can be found on the website of the U.S. Mission to the EU: http://export.gov/europeanunion/reachclp/index.asp

Material Safety Data Sheets (MSDS) must be updated to be REACH compliant. For more information, see the guidance on the compilation of safety data sheets: http://echa.europa.eu/documents/10162/17235/sds_en.pdf

U.S. exporters to the EU should carefully consider the REACH 'Candidate List' of Substances of Very High Concern (SVHCs) and the Authorization List. Substances on the Candidate List are subject to communication requirements. Companies seeking to export products containing substances on the Authorization List will require an authorization. The Candidate List can be found at: http://echa.europa.eu/web/guest/candidate-list-table. The Authorization List is available at http://echa.europa.eu/addressing-chemicals-of-concern/authorisation/recommendation-for-inclusion-in-the-authorisation-list/authorisation-list

WEEE Directive

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. The Directive requires U.S. exporters to register the products with a national WEEE authority or arrange for this to be done by a local partner. The WEEE Directive was revised on July 4, 2012. The revised WEEE Directive expands the scope of products covered to include all electrical and electronic equipment. The expanded scope will apply from August 14, 2018. U.S. exporters seeking more information on the WEEE Directive should visit: http://export.gov/europeanunion/weeerohs/index.asp

RoHS

The ROHS Directive imposes restrictions on the use of certain chemicals in electrical and electronic equipment. It does not require specific customs or import paperwork however manufacturers must self-certify that their products are compliant. The Directive was revised in 2011 and entered into force on January 2, 2013. One important change with immediate effect is that RoHS is now a CE marking Directive. The revised Directive expands the scope of products covered during a transition period which ends on July 22, 2019. Once this transition period ends, the Directive will apply to medical devices, monitoring and control equipment in addition to all other electrical and electronic equipment. U.S. exporters seeking more information on the WEEE Directive should visit: http://export.gov/europeanunion/weeerohs/index.asp

Cosmetics Regulation

On November 30, 2009, the EU adopted a new regulation on cosmetic products which will apply from July 11, 2013. The new law introduces an EU-wide system for the notification of cosmetic products and a requirement that companies without a physical presence in the EU appoint an EU-based responsible person.

In addition, on March 11, 2013, the EU imposed a ban on the placement on the market of cosmetics products that contain ingredients that have been subject to animal testing. This ban does not apply retroactively but does capture new ingredients. Of note, in March 2013, the Commission published a Communication stating that this ban would not apply to ingredients where safety data was obtained from testing required under other EU legislation that did not have a cosmetic purpose. For more information on animal testing, see: http://ec.europa.eu/consumers/sectors/cosmetics/animal-testing

For more general information, see:

http://export.gov/europeanunion/accessingeumarketsinkeyindustrysectors/eg_eu_044318.asp

Agricultural Documentation

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

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

Sanitary Certificates (Fisheries)

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

With the implementation of the second Hygiene Package, aquaculture products coming from the United States must be accompanied by a public health certificate according to Commission Decision 2006/199/EC and the animal health attestation included in the new fishery products certificate, covered by Regulation (EC) 1012/2012. This animal health attestation is not required in the case of live bivalve mollusks intended for immediate human consumption (retail).

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

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

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

U.S. Export Controls

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

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of some commercial items, including "production" and "development" technology.

The items that BIS regulates are often referred to as "dual use" since they have both commercial and military applications. Further information on export controls is available at: http://www.bis.doc.gov/licensing/exportingbasics.htm

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR. These are posted at:
http://www.bis.doc.gov/enforcement/redflags.htm

Also, BIS has "Know Your Customer" guidance at:
http://www.bis.doc.gov/Enforcement/knowcust.htm

If there is reason to believe a violation is taking place or has occurred, report it to the Department of Commerce by calling the 24-hour hotline at 1(800) 424-2980, or via the confidential lead page at: https://www.bis.doc.gov/forms/eeleadsntips.html

The EAR does not control all goods, services, and technologies. Other U.S. government agencies regulate more specialized exports. For example, the U.S. Department of State has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS web.

It is important to note that in August 2009, the President directed a broad-based interagency review of the U.S. export control system, with the goal of strengthening national security and the competitiveness of key U.S. manufacturing and technology sectors by focusing on current threats, as well as adapting to the changing economic and technological landscape. As a result, the Administration launched the Export Control Reform Initiative (ECR Initiative) which is designed to enhance U.S. national security and strengthen the United States' ability to counter threats such as the proliferation of weapons of mass destruction.

The Administration is implementing the reform in three phases. Phases I and II reconcile various definitions, regulations, and policies for export controls, all the while building toward Phase III, which will create a single control list, single licensing agency, unified information technology system, and enforcement coordination center.

For additional information on ECR see: http://export.gov/ecr/index.asp

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two day seminars and focus on the basics of exporting as well as more advanced topics. A list of upcoming seminars can be found at: https://www.bis.doc.gov/seminarsandtraining/index.htm

For further details about the Bureau of Industry and Security and its programs, please visit the BIS website at: http://www.bis.doc.gov/

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

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

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.

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An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at: http://buyusainfo.net/docs/x_366090.pdf

Prohibited and Restricted Imports

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An estimated 95 percent of products imported into Hungary no longer require an import license; however licenses are still required for some goods like arms/military equipment, explosives & pyrotechnic products, security paper, uranium, radioactive isotopes, etc. The link to the Hungarian Trade Licensing Office is: http://mkeh.gov.hu

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 the following codes:

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

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

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

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The following provides information on the major regulatory efforts of the EC Taxation and Customs Union Directorate:

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

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

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

Homepage of Customs and Taxation Union Directorate (TAXUD) Website
Key Link: http://ec.europa.eu/taxation_customs/customs/index_en.htm

Customs Valuation – Most customs duties and value added tax (VAT) are expressed as a percentage of the value of goods being declared for importation. Thus, it is necessary to dispose of a standard set of rules for establishing the goods' value, which will then serve for calculating the customs duty.

The EU imports in excess of 2 trillion euro worth of goods. It is important that the value of such commerce is accurately measured for the purposes of:

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

These objectives are met using a single instrument - the rules on customs value.
The EU applies an internationally accepted concept of 'customs value'.

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

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

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

European Union legislation and standards created under the New Approach are harmonized across the member states and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. For a list of new approach legislation, go to http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=directive.main.

The concept of new approach legislation is likely to disappear as the New Legislative Framework (NLF), which entered into force in January 2010, was put in place to serve as a blueprint for existing and future CE marking legislation. Since 2010/2011 existing legislation has been reviewed to bring them in line with the NLF concepts.

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

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

There are also export guides to import regulations and standards available on the Foreign Agricultural Service's website: http://www.fas.usda.gov/posthome/useu/about.html

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

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

1. CENELEC, European Committee for Electrotechnical Standardization (http://www.cenelec.eu/)

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

3. CEN, European Committee for Standardization, handling all other standards (http://www.cen.eu/cen/pages/default.aspx)

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

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

Given the EU's vigorous promotion of its regulatory and standards system as well as its generous funding for its development, the EU's standards regime is wide and deep - extending well beyond the EU's political borders to include affiliate members (countries which are hopeful of becoming full members in the future) such as Albania, Belarus, Israel, and Morocco among others. Another category, called "partner standardization body" includes the standards organization of Mongolia, Kyrgyzstan and Australia, which are not likely to become a CEN member or affiliate for political and geographical reasons.

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

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

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

The European Standardization system and strategy was reviewed in 2011 and 2012. The new standards regulation, adopted in November 2012, clarifies the relationship between regulations and standards and confirms the role of the three European standards bodies in developing EN harmonized standards. The emphasis is also on referencing international standards where possible. For information, communication and technology (ICT) products, the importance of interoperability standards has been recognized. Through a newly established mechanism, a "Platform Committee" reporting to the European Commission will decide which deliverables from fora and consortia might be acceptable for public procurement specifications. The European standards bodies have been encouraged to improve efficiency in terms of delivery and to look for ways to include more societal stakeholders in European standardization.

Key Link: http://ec.europa.eu/enterprise/policies/european-standards/standardisation-policy/index_en.htm

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

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

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

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To sell products in the EU market of 27 member states – soon 28 - as well as in 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 referenced 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. As market surveillance was found lacking, the EU adopted the New Legislative Framework, which went into force in 2010. As mentioned before, this framework is like a blueprint for all CE marking legislation, harmonizing definitions, responsibilities, European accreditation and market surveillance.

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 local contact established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

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

"European Accreditation" (http://www.european-accreditation.org) 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 publication of the European Union. It is published daily on the internet and consists of two series covering adopted legislation as well as case law, studies by committees, and more (http://eur-lex.europa.eu/JOIndex.do?ihmlang=en). It lists the standards reference numbers linked to legislation (http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/index_en.htm).

National technical Regulations are published on the Commission's website http://ec.europa.eu/enterprise/tris/index_en.htm to allow other countries and interested parties to comment.

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

Labeling and Marking Return to top

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

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

-Product type (Trademarks, brand names or fanciful names may not substitute the generic/product name, but may be used in addition to the product name)

-List of ingredients must show all ingredients (including additives) in descending order of weight as recorded at the time of their use in the manufacture and designated by their specific name. In the case of those products that may contain ingredients liable to cause allergies or intolerances, a clear indication should be given on the label by the word "contains" followed by the name of the ingredient. However, this indication will not be necessary provided the specific name is included in the list of ingredients.

-Net quantity in metric units
-Date of minimum durability – not required for wine and beverages containing more than 10% alcohol by volume
-Special conditions for keeping or use (if applicable)
-Name or business name and address of the manufacturer, packager or importer established in the European Union
-Country of origin or provenance (if outside the EU)
-Alcohol content for beverages containing more than 1.2% by volume
-Lot identification with the marking preceded by the letter "L".

The following information must appear in Hungarian on the label of cosmetics:
-Name or business name and address of the manufacturer, packager or importer established in the European Union
-Country of origin or provenance (if outside the EU)
-Name and intended function of the product, except when it is evident from the appearance, instructions for use, when it is reasonable
-Nominal content valid at the time of packing, according to mass or volume
-Shortest time of keeping quality, e.g.: best before year/month
-When needed, prescription of storage conditions, important from the point of view of meeting the quality,
-Prescriptions of precaution required in the case of consumer or professional use
-Enumeration of all components. Specific references on technical (e.g. electric) certificates issued by Hungarian authorities must be attached to the individual packing.

EU REGULATIONS

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

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

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.
Key Link: http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/prepacked-products/index_en.htm

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

currently 30 different product groups, and approximately 1300 licenses have been awarded for several hundred products.

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

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

Key Links:
Eco-label Home Page
The Hungarian Standards Office: http://www.mszt.hu/angol/index_eng.htm
The Hungarian Accreditation Board: http://www.nat.hu/

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

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

EU websites:
Online customs tariff database (TARIC):
http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

The Modernized Community Customs Code MCCC):
http://europa.eu/legislation_summaries/customs/do0001_en.htm

ECHA: http://echa.europa.eu

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

Security and Safety Amendment to the Customs Code - Regulation (EC) 648/2005:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF

Electronic Customs Initiative: Decision N° 70/2008/EC

http://eur-
lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:023:0021:0026:EN:PDF

Modernized Community Customs Code Regulation (EC) 450/2008):
http://eur-
lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:145:0001:0064:EN:PDF

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

Export Help Desk
http://exporthelp.europa.eu/thdapp/index_en.html

U.S. websites:
National Trade Estimate Report on Foreign Trade Barriers:
http://www.ustr.gov/about-us/press-office/reports-and-publications/2012-1

Agricultural Trade Barriers:
http://www.fas.usda.gov/posthome/Useu/

Trade Compliance Center:
http://tcc.export.gov/

U.S. Mission to the European Union:
http://useu.usmission.gov/

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

The Latest on REACH:
http://export.gov/europeanunion/reachclp/index.asp

WEEE and RoHS in the EU:
http://export.gov/europeanunion/weeerohs/index.asp

Overview of EU Certificates:
www.fas.usda.gov/gainfiles/200605/146187632.doc

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

EU Marking, Labeling and Packaging – An Overview
http://buyusainfo.net/docs/x_366090.pdf

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

Trade Agreements:
http://tcc.export.gov/Trade_Agreements/index.asp
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Chapter 6: Investment Climate

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Hungary maintains an open economy, and attracting foreign investment remains important for the Hungarian government. The Hungarian government established the Hungarian Trade and Investment Agency on January 1, 2011 with the aim to encourage foreign companies to invest in Hungary, facilitate bilateral trade, and support the activity of Hungarian small and medium sized enterprises (SMEs). Hungary has been a leading destination for FDI in Central and Eastern Europe, with approximately $98 billion since 1989. However, the pace of inflows has slowed since the 2008 global crisis and Hungary's relative advantage compared to regional competitors has slipped recently. Germany is the most significant country of origin, contributing 22% of all Hungary's FDI, followed by Austria (14%) and the Netherlands (13%). The United States is the largest non-European investor with 4% of FDI. The automotive industry, software development, and life sciences receive the highest amount of capital investment. FDI inflow in 2008 reached Euro 4.8 billion, however due to the global financial crisis, FDI dropped to Euro 1.38 billion in 2010 as companies became more cautious about committing capital to large investments. There are approximately 200 companies in Hungary of U.S. origin, although the figure is closer to 800 if representation, sales offices, and sole proprietorships owned by U.S. citizens with dual Hungarian citizenship are considered.
Hungary's high-quality infrastructure, labor force, and central location are often cited as features that make it an attractive destination for investment. Despite Hungary's advantages, some businesses complain that obstacles and disincentives to investment remain. These include a lack of transparency and predictability, reports of corruption (particularly in the government procurement sector) and barriers related to excessive red tape. Since 2010 the government has passed a number of tax changes, such as

reductions in personal income and business tax rates in order to increase Hungary's regional competitiveness. Some tax changes such as the so-called “crisis taxes”, however, have adversely affected businesses. The crisis taxes, along with more recent measures passed in 2012, targeted certain sectors including banking, energy, telecommunications, and large retail. Originally billed as “extraordinary measures” that would last only three years, it appears the government may continue the taxes beyond the three-year mark in the finance and energy sectors.

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

The Hungarian government encourages investments in both manufacturing and high-value added sectors such as research and development centers, manufacturing facilities and service centers. The government also believes that considerable opportunities exist in biotechnology, information and communications technology, software development, the automotive industry, and tourism.

Index/Ranking	**Year**	**Rank**	**Score**	**Scale**
Transparency International Corruption Perception Index	2012	46/178	55	From 1 to 100, no corruption = 100
Heritage Economic Freedom	2012	49/183	67.1	From 1 to 100, most free = 100
World Bank Doing Business	2012	51/183	n/a	Out of 183 countries and territories
World Economic Forum Competitiveness Report	2012/2013	60/139	4.3	The higher the score the more competitive

IMD World Competitiveness Yearbook	2012	45/59	57.34	From 1 to 100, most competitive = 100 100

Hungary's emergence from the 2008/2009 global financial crisis has been impacted by the Euro crisis and its domestic economic policy. Following a 6.8% decline in 2009 and slight increase in 2010 and 2011, Hungary's GDP is expected to decline by 1.3% in 2012, and subsequently stagnate in 2013. In an effort to keep the budget deficit below the 3% threshold required by the EU to lift the Excessive Deficit Procedure (EDP), the government imposed the crisis taxes mentioned above on certain sectors in 2010. As of January 1, 2013, financial and energy sector taxes were further increased when the Financial Transaction Tax and additional energy taxes came into effect. (Note. In November 2012, the government decided to increase the "Robin Hood tax" from 11% to 31%. The former 19% corporate income tax rate will remain unchanged. Therefore, effectively, total tax for energy service providers increased from 30% to 50% as of January 1, 2013. End Note.) A new public utility tax on water and sewer pipelines, natural gas, heat and electricity lines and telecommunications lines was also introduced. Despite previous government promises, the bank tax will not be reduced in 2013. As domestic demand remains subdued and the effect of large scale manufacturing investments--particularly in the automotive sector--failed to fuel GDP growth in 2012, exports remain the main engine of the economy, amounting to 80% of GDP. Hungarian exports -- especially to Germany -- are substantial and Hungary maintains a trade and current account surplus with its neighbor. The unemployment rate declined from 11.4% in 2009 to 10.5% in 2012 and the employment rate in Hungary remains slightly better than the OECD average.

In October 2008, the European Union (EU), the International Monetary Fund (IMF), and the World Bank provided Hungary with a Euro 20 billion stabilization package. The Fidesz government, which won a historic two-thirds majority in the April 2010 parliamentary elections, has so far not begun to negotiate a follow-on Stand-by Arrangement with the IMF, noting that it could meet its current and short-term financing needs through market financing. Given that the exchange rate, bond yields and Credit Default Swap (CDS) spreads stabilized in 2012, the government's preference is to seek any necessary financing from the international market rather than the EU/IMF, provided that favorable global sentiment continues.

The government has committed to continue its strategy of deficit reduction. It made some structural changes which include eliminating early retirement, reassessing criteria for individual entitlement to disability pension, cutting administrative costs and postponing public sector wage hikes. But while welcoming the government's commitment to continued deficit and public debt reduction (particularly given Hungary's high debt to GDP ratio, which reached 78.6% at the end of the third quarter in 2012), many outside observers, including international credit-rating agencies, have criticized the government's utilization of short-term tax increases and one-off measures rather than the adoption of structural reforms as a more fiscally sustainable way to meet budget targets. Such one-off measures include nationalizing the mandatory private pension fund payments, which generated a one-time budget revenue of about HUF 3 trillion ($ 13.6 billion) and at the same time channeled all pension contributions into the public pension fund. Other actions, including eliminating the independent Fiscal Council budget watchdog agency, have also drawn widespread criticism. In 2011, the three major credit rating agencies lowered their ratings on Hungarian bonds to non-investment grade. And in November 2012, Standard and Poor’s reduced Hungary’s rating to BB from BB+. In December, Fitch confirmed its previous BB+ ratings – both of which are below non-investment grade.

New foreign currency loans have largely disappeared from the market, but many companies and households still have high exposure to such loans. Following various schemes to tackle Hungary’s foreign currency denominated mortgage loan problem at the end of 2011, banks reached an agreement with the government to convert foreign currency denominated mortgage loans into forint loans. They did so at a preferential exchange rate until the end of 2012, and partially wrote off debt for those who could not repay their loan. It is estimated that half of Hungary’s household debt ($26.5 billion) is in Swiss francs. The banking sector posted a HUF 10.5 billion loss at the end of 2012 due largely to the continuation of the bank tax, the mortgage scheme and the financial transaction tax on cash withdrawals. Few banks remain profitable.

Framework for Foreign Investment

Since 1989, Hungary has undergone a dramatic transformation from a centrally planned economy to an open, pro-business economy. In 2004 it became a member of the European Union. The Hungarian Constitution guarantees private ownership, right of enterprise, and freedom of competition. In November 2010 Parliament moved to restrict tax and budgetary matters from the Constitutional Court’s purview so that no legislation can be ruled unconstitutional if it affects government’s revenues. Parliament drafted a new Constitution that came into force on January 1, 2010. Financial markets are highly developed and smoothly operating, and reflect a level of sophistication indicative of an early reformer in the region.

The Ministry of Economic Affairs established the ITDH (Investment and Trade Development Agency in Hungary) in 1993 to help companies make major investments in the country. On January 1, 2011, ITDH’s economic development responsibilities were transferred to the Hungarian Investment and Trade Development Agency (HITA) operating under the Ministry of National Economy. HITA is smaller in size than the former ITDH. The government has a National Development Program II (NDPII) for channeling EU development funds and the Smart Hungary investment incentive program, aimed at facilitating investments in key areas for development, especially in less developed regions.

The Investors’ Council --made up of the 100 largest investors-- is intended to operate as a mechanism to maintain Hungary's economic competitiveness and attractiveness to foreign investors. It is co-chaired by the Minister of Economy, the American Chamber of Commerce, the German Hungarian Chamber of Commerce, the Hungarian Joint Venture Association, the Hungarian Association of International Investors, and the Permanent Commission of EU Chambers. The Investor’s Council was dormant for several years but has been active again since March 2011.

A substantial body of laws protects foreign investment in Hungary, provides equal treatment under Hungarian laws, and enables profit repatriation. Most important are the 2006 Law on Business Organizations, the 2009 Law on Enterprise, the 1992 law on transforming state companies into economic associations, the 1996 Competition Law, and the 1995 Privatization Law. Other significant 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.

Up to 100-percent foreign ownership is permitted with the exception of designated "strategic" holdings in some defense-related industries and farmland. 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% of telecommunications, and 60% of the energy sector. The private sector currently produces about 80% 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, 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 large corporations. Crossholdings are common and the independence of directors sometimes difficult to establish.

Under the Investment Act, a company incorporated in Hungary may only acquire real estate "required for its economic activities," but this has been liberally interpreted and has not prevented foreign entrepreneurs from engaging in property development. According to the 1994 Land Law, only private Hungarian citizens or EU citizens resident in Hungary engaged in agricultural activity for a minimum of three years can purchase farmland up to 300 hectares, while others may lease it. For those EU citizens who do not fulfill the above requirements or for third country citizens, the law allows the lease of farmland up to 300 hectares for a maximum of 20 years. Restrictions on foreigners buying land was scheduled to remain in force for seven years following EU membership. In 2010, the EU granted a three-year extension of this transitional period, which will expire in May 2014. The government is drafting a new land bill which will likely exclude non-EU citizens from owning agricultural land.

Conversion and Transfer Policies

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The Hungarian forint (HUF) has been convertible for essentially all business transactions since January 1, 1996. Hungary must eventually adopt the Euro according to its agreement to join the EU. 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% 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%, in February 2008 the MNB adopted a free-floating exchange rate regime. Since then, market forces determine the exchange rate of the HUF to the Euro and other currencies.

Although the current government, like the previous one, notes that adoption of the Euro remains a priority, a specific target date for entry has not been set. Recent reforms have aimed to strengthen Hungary's fiscal sustainability and bring it closer to meeting the Maastricht criteria and other conditions required for entry into the Exchange Rate Mechanism II (ERM II), necessary for Euro adoption. The timing of Hungary's entry into the Eurozone will largely depend on the economic policies and priorities of the government.

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 a 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 on whether 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

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Article XIII of Hungary’s Fundamental Law provides protection against expropriation, nationalization, and any arbitrary action by the government except in cases of acute national concern. In such cases, immediate and full compensation is to be provided to the owner. There are no known cases where the Hungarian government has discriminated against U.S. investments, companies, or representatives in expropriation. However, there have been some complaints from other foreign companies within the past several years that expropriations have been improperly executed without proper remuneration. These cases have turned to the legal system for dispute settlement.

Dispute Settlement

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Hungary's judicial system underwent significant changes due to legislation passed in 2011 and effective January 1, 2012. Parliament renamed several courts and added a new court, the Court of Public Administration and Labor. Presently, the Hungarian judicial system includes four tiers: district courts (formerly referred to as local courts) and courts of public administration and labor; courts of justice (formerly referred to as county courts); courts of appeal; and the Curia (the renamed Supreme Court). Hungary also has a Constitutional Court that reviews cases involving the constitutionality of legal regulations and court rulings.

Hungary also established the National Court Administration Office (OBH) and invested significant authority in the OBH President. The OBH President is nominated by the Hungarian President, approved by a two-thirds Parliamentary majority and serves a nine-year term. Under the revised judicial system, the OBH President's responsibilities include judicial appointment recommendations, court leadership decisions and caseload distribution. Currently the OBH President has the authority to choose the venue for specific cases in order to ensure timely proceedings, though this power is being challenged before the Constitutional Court. Domestic and international observers have voiced concerns regarding the independence of the judiciary due to the broad powers of the politically-appointed OBH President, despite the recent legislative changes introducing certain limitations to the original authority.

The Act on Bankruptcy Procedures, Liquidation Procedures and Final Settlement of 1991, amended several times, covers all commercial entities except banks (which have their own regulatory statutes), trusts, and state-owned enterprises to bring Hungarian legislation in line with EU regulations. Bankruptcy proceedings can only be initiated 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 the 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.

Liquidation procedures may be filed with the court by the debtor, the creditors, the administrator, or the Criminal Court. Once a petition is filed, regardless of who filed it, the Court notifies the debtor by sending him a copy of the petition. The debtor has 8 days to declare whether he acknowledges insolvency. If accepted, the company declares if any respite for the settlement of debts is requested. Failure to respond to this shall result in the insolvency being presumed. Upon request the Court may allow a maximum period of 30 days for the debtor to settle its debt. If the Court finds the debtor insolvent, it shall, in the decree, appoint a liquidator. The Liquidation Decree shall be published in the Company Gazette. The Court shall notify the competent tax and customs authorities, the health insurance administration agency, the pension insurance administration agency and all payment service providers carrying the debtor's accounts, of the insolvency. There have been some concerns raised about the transparency of the liquidation process because a company may not know that a creditor is filing a liquidation petition until after the fact.

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 government 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 Euro 10 million). The incentives are focused on investors establishing manufacturing facilities, logistics facilities, regional service centers, R&D facilities, bioenergy facilities, or tourist facilities. Incentive packages may consist of cash subsidies, development tax allowances, training subsidies, and job creation subsidies. The incentive system is compliant with EU regulations on competition and state aid and is administered by the Hungarian Investment and Trade Development Agency and managed by the Ministry of National Development.

Parliament enacted a National Development Plan for 2007-2013. In the Framework of the New Hungary Development Plan (NHDP), Hungary will receive around Euro 22.4 billion from the EU. This will be complemented by the national public contribution amounting to 15% of the total available funding. The Hungarian government will add to this amount around 1,000 billion HUF ($4.3 billion). Projects using EU structural and cohesion funds will be subject to a series of requirements, including a portion of own-source financing. As these programs are implemented, the inflow of EU funds is creating numerous opportunities for investment. In an attempt to ease the effects of the global financial crisis, the GOH initiated an economic stimulus package worth over Euro 5 billion for businesses, including SMEs that have been particularly affected by the unavailability of credit. In the current climate, loans have been hard to obtain even for SMEs with good credit histories, and expiring loans have been hard to renew. The package includes a Euro 1.4 billion liquidity package (micro loans, SME loans, and Hungarian Development Bank loans), a credit guarantee of over Euro 270 million, as well as interest and venture capital subsidies from the New Hungary Development Program and the New Hungary Rural Development Program. The division of EU Resources for the Sectoral Operative programs is as follows (The following figures are for 2007-2013; negotiations between the government and EU for the period 2014-2020 have also begun):

Sectoral Operative Programs	**Billion HUF**	**USD Billion (approximate)**
Economic development	674.03	3.10
Transport	1721.47	7.92
Social Renewal	933.29	4.29
Social infrastructure	538.95	2.48
State Reform	40.61	0.18
Electronic Public Administration	99.49	0.46
Environment, Energy	1053.56	4.85
Implementation	94.88	0.44
National Performance Reserve	98.38	0.45
Regional Operative Programs	1620.59	7.45
NHDP total	**6875,25**	**31.63**

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

The process of obtaining visas, residence permits, and work permits can be lengthy and tedious but does 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

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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 to establish 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 500 thousand ($2,100) and for a joint stock company it is a minimum of 5 million HUF ($21,300). As of July 1, 2008 businesses may be established in one hour electronically or by a simplified registration procedure. Lowering administrative burdens and red tape was also included in the 2013 budget.

Protection of Property Rights Return to top

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

On January 1, 2003, Hungary acceded to the European Patent Convention and has accordingly amended the Hungarian Patent Act. Hungary 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 Intellectual Property Office (HIPO) is in charge of patent revocation and trademark invalidity proceedings, while all disputed 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 due to weak enforcement and inadequately protected confidential pharmaceutical test data. The government of Hungary has taken some positive steps towards more complete implementation of its international obligations by putting into effect a ministerial decree to provide data exclusivity protection for pharmaceutical products authorized in the EU or Hungary after April 11, 2001. Due to this and other measures, USTR removed Hungary from the Special 301 Watch List in 2010.

In July 2010, the U.S. Patent and Trademark Office and HIPO launched a pilot program to facilitate patent recognition between the United States and Hungary. Due to the success of the pilot program, in April 2012 the USPTO and HIPO signed a Memorandum of Understanding to streamline and expedite patent recognition even further as part of the Patent Processing Highway (PPH). More details about this program and other participating countries can be found on USPTO's website at www.hipo.gov.hu/English/szabadalom/pph/

In January 2008, the GOH established a National Board Against Counterfeiting and Piracy (HENT), led by a government commissioner, the Hungarian Intellectual Property Office (HIPO), 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 law enforcement officials, improve coordination between rights-holders and law enforcement officials, and increase public awareness of the importance of intellectual property rights protection. Ongoing areas of concern include internet-based piracy and the failure of judges to impose deterrent-level sentences for civil and criminal IP infringement. In January 2011 HENT was reorganized by a governmental decree and given a legal framework for its operation. HENT is in the process of establishing a new strategy to meet current IPR challenges.

In January 2011, the Customs Authority and Tax Authority (NAV) were merged and given jurisdiction over IPR enforcement. NAV is a member of HENT, and also works closely with the Business Software Alliance (BSA). In January 2011 the NAV created a special Cyber-crime unit to better enforce IPR internet infringements.

Transparency of Regulatory System

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The regulatory process in Hungary is relatively open and transparent. As a whole, labor, environment, health and safety laws are consistent with EU regulations. However, some companies operating in Hungary have claimed that recent "crisis taxes" are inconsistent with EU regulations since they target certain industries/sectors over others and do not reflect the costs of regulating the affected sectors. Regarding taxation, the EU launched infringement procedures against the telecommunication tax implemented in 2010, and elevated it to the European Court of Justice at the end of 2012. If the ruling – expected in 2013 - is unfavorable, Hungary would have to repay HUF 220 billion ($986 million) to affected companies.

Laws in Parliament can be found on Parliament's website (http://www.parlament.hu/parl_en.htm) . Legislation, once passed, is published in a legal gazette and available online at www.magyarkozlony.hu. Civil organizations have complained about a loophole in the current law that allow individual MPs to submit legislation and amendments without having to give a reason, which is otherwise compulsory for legislation submitted by government institutions. The government has an inconsistent record of inviting interested parties to comment on draft legislation and does not always incorporate input into final documents.

Company representatives working in industries impacted by the crisis taxes have complained repeatedly that the business sector was not consulted before new taxes were announced. Furthermore, they have argued that the government has failed to take into account industry concerns. Foreign investors, some sectors of civil society, and international organizations, including the EU, have requested that the government consult stakeholders before drawing up regulations.

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.

In January 2012, a new, shorter and more flexible Public Procurement Act came into force. Contracting parties reported that 4,063 procurement procedures were conducted in 2012 under the new Act. Most of these were negotiated procedures without public announcements. However, this is allowed under the new law insomuch as the procurement does not reach or exceed HUF 150 million ($750,000) as noted in the Public Procurement Law's Article 122, paragraph 7. This paragraph further says that only SME's can submit bids for negotiated procurement announcements—thereby the Hungarian government believes that these types of procedures support SME.

Some experts consider the new Public Procurement Act too liberal and thus susceptible to corruption through various loopholes. State-owned or government-friendly companies still seem to have an advantage over private market players for public procurement tenders. Companies operating in subsidy or in price-regulated sectors may suffer due to insufficient transparency and responsiveness to the setting of prices or subsidies. Parties requesting bids are required to post information on their websites about the project and results of the public procurement process. Additionally, bids will need to indicate all subcontractors that will be used and how they will participate in the project. The new law also simplifies the current process by reducing the amount of paperwork for bidders. The current Hungarian government extended the law to investments financed by the Hungarian Development Bank and increased the number of open tenders.

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.

According to Transparency International's National Integrity Study, systemic corruption adds as much as 20-25% to the costs of government procurement. A Freedom House study estimated that only 10% of government procurements are transparent. Government procurement reform is a major topic of discussion among foreign chambers of commerce and business entities. These groups have provided their suggestions to the GOH for inclusion into draft legislation.

Efficient Capital Markets and Portfolio Investment

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Prior to the global financial crisis, capital adequacy was not an issue in Hungary as funds were readily available for businesses, due in large part to a large foreign presence and significant competition in the banking sector. Since the crisis, banks have increased their capital adequacy ratios above the required 8%. In line with EU requirements, banks also need to reduce loan-to-debt ratios from the current 140% to 110% by 2014.
Lack of confidence in financial markets over the past two years has affected Hungarian banks. The government has effectively banned banks from lending in foreign currency by stipulating that only those who earn their income in foreign currency can take foreign currency denominated loans to eliminate exchange rate risk on customers. Forint loans to businesses are hard to obtain as well, as the requirement to decrease the loan-to-deposit ratio is forcing banks to promote deposits aggressively and lend to the less risky sectors, including consumer loans. At the end of 2012, Hungary's loan-to-deposit ratio was down to 110%, compared with 170% in 2008. On the whole, foreign investors continue to have equal access to credit on the local market, with the exception of special governmental credit concessions such as small business loans. Markets for direct finance are thin.

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

Competition from State-Owned Enterprises (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, energy (MVM) and transportation. However, in the past year and a half, the government tried to make several strategic investments in areas that are outside the scope of national interest, such as the telecommunications sector and the production of machinery (RABA). At present we are aware of few complaints from private companies regarding competition from SOEs. Since mid-2012, the government has made it more difficult for energy companies to operate and has publicly stated its interest in nationalizing some private firms.

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, 55% of businesses have a CSR policy and 44% 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 the government signed a strategic resolution (No. 1025) for the reinforcement of social responsibility of employers. Since 2006 CSR Hungary - the country's largest CSR forum - has held several conferences every year, where company and communication managers, researchers and university students exchange information and experiences, and where an annual CSR award is presented. CSR Hungary has a club card, awards scholarships to promising students in economic or technical studies, and runs a social awareness forum. According to Nielsen Global Omnibus research over 60% of Hungary's adult population has a preference to companies committed to CSR, exceeding the 54% EU average.

Price Regulation and Liberalization

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

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

Substantial market deregulation has occurred over the past few years. The electricity market has been unbundled and is 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. However, that same Act reduced the political autonomy of the Hungarian energy regulatory office. In 2007 the GOH initiated electricity and natural gas market liberalizations, which were for the most part completed in 2009, although the Hungarian Energy Office continues to regulate gas prices.

According to the Amendment on Electricity and Gas Act passed by Parliament in June 2010, the Ministry for National Development, in consultation with the Hungarian energy regulator, quarterly sets the new price regime of universal service providers (USPs). USPs have seen their profit margins decrease substantially due to their inability to make money when the set price is below the price of imported gas.

Portfolio Investment

The 1996 Offering of Securities, Investment Services and Securities Exchange Act, and the 1990 Securities and Stock Exchange Act govern the public issuance and trading of bonds, shares and other securities. The Budapest Stock Exchange (BSE) has 35 members, which are licensed-broker or broker-dealer companies, including several U.S.-based firms. It is a full member of the Federation of International Stock Exchanges and an associate member of the International Securities Market Association. The total market capitalization in December 2010 amounted to Euro 66.4 billion, of which shares amount to Euro 20.86 billion, government bonds and treasury bills amount to Euro 35.96 billion. Average daily turnover was Euro 82.35 million, which is 5.5% higher than in 2009. In November 2005, the BSE integrated the Commodity Exchange, creating a commodities section. In December 2010 the BSE listed a total of 71 issuers. These include 52 equity, 8 bond, 3 mortgage, 10 investment funds, one government bond and T-bill issuer, two investment and turbo certificate issuers, and one compensation note issuer. Some of these issue several types of instruments. 66% of capitalization is concentrated in four companies (MOL, OTP, Magyar Telecom, and Richter), the “Blue-chips’ which determine the Stock Exchange Index.

Political Violence

Despite an uptick in protests in 2006, political violence has not been 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.

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The Hungarian Ministry of Justice is responsible for combating corruption. There is a growing legal framework in place to support its efforts. Hungary is a party to the OECD Anti-Bribery Convention and has incorporated its provisions into the penal code, as well as subsequent OECD and EU requirements on the prevention of bribery. Hungary adopted a national strategy on combating corruption and passed two modifications of the Criminal Code in 2001 (Act CXXI and CIV). Parliament also passed the Strasbourg Criminal Law Convention on Corruption (Law XLIX of 2002) and the Strasbourg Civil Code Convention on Corruption (Law L of 2004). Hungary is a member of GRECO (Group of States against Corruption), an organization established by members of the Council of Europe to monitor the observance of their standards for fighting corruption. Transparency International (TI) is active in Hungary and its 2012 Corruption Perceptions Index rated Hungary 46th out of 178 countries (1st being best), up from 54th in 2011. Among other countries in the region Hungary is 4th behind Estonia, Slovenia, and Poland. However, after the new rating was published, TI commented that Hungary's new ranking was not a true reflection of improvement, but rather the study's changed methodology. TI has said that in reality Hungary is doing worse than it was in 2011.

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

In addition, observers have raised concerns about appointments of Fidesz Party loyalists as heads of quasi-independent institutions like the Media Council and the State Audit Office. In December 2009, Parliament passed new measures designed to reduce the opportunity for corruption in public procurements. However, most of these measures have not been implemented. The government has suggested that it does not intend to set up new anti-corruption institutions. Rather, it prefers to strengthen and build upon existing institutions. From January 1 2012, the Anticorruption Division of the Central Investigative Chief Prosecutor's Office increased the number of prosecutors specializing in high-profile corruption cases from eight to thirty-five.

In terms of risk, as a consequence of Hungary's strategic location in central Europe, its cash based economy and well-developed financial services industry, money laundering in Hungary is related to a variety of criminal activities, including illicit narcotics-trafficking, prostitution, trafficking in persons, fraud and organized crime. Other prevalent economic and financial crimes include official corruption, tax evasion, real estate fraud, and identity theft. Hungarian legislation on combating money laundering is in line with international obligations. The core elements of Hungary's Anti-Money Laundering/ Combating Terrorist Financing (AML/CFT) regime are established in the Hungarian Criminal Code (HCC), which contains the Money Laundering and Terrorist Financing offenses; Act CXXXVI of 2007 on the Prevention and Combating of Money Laundering and Terrorist Financing (AML/CFT Act). A new AML/CFT Act was introduced in 2007, when Hungary transposed the third EU AML/CFT Directive, and it's Implementing Directive, into national law as well as introducing the financing of terrorism into preventive legislation. Anti-money laundering legislation includes banks; investment service providers, employer pension services, and commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of international postal money orders; real estate agents and brokers; auditors; accountants; tax consultants and advisors; casinos or card rooms; precious metal and high value goods traders; lawyers; and notaries. Hungary is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body

Bilateral Investment Agreements

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Hungary and the United States do not have a bilateral investment treaty (BIT), nor is one currently under negotiation.
Hungary has bilateral investment treaties with the following countries: Albania, Argentina, Australia, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Chile, China, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, India, Indonesia, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Lithuania, Luxemburg, The former Yugoslav Republic of Macedonia, Malaysia, Moldova, Mongolia, Morocco, The Netherlands, Norway, Paraguay, Poland, Portugal, Romania, Russian Federation, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Thailand, Tunisia, Turkey, Ukraine, United Kingdom, Uruguay, Uzbekistan, Vietnam and Yemen.

Hungary has tax treaties which eliminate many aspects of double taxation with the United States and the following countries: Albania, Australia, Austria, Azerbaijan, Belarus, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, the Federal Republic of Yugoslavia, France, Georgia, Germany, Great Britain, Greece, Hong Kong, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Kuwait, Latvia, Lithuania, Luxembourg, The former Yugoslav Republic of Macedonia, Malaysia, Malta, Mexico, Moldova, Mongolia, Morocco, The Netherlands, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Korea, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, Tunisia, Ukraine, Uruguay, Uzbekistan and Vietnam. Negotiations were recently concluded in 2010 to revise Hungary's current tax treaty with the United States; it awaits Senate ratification.

Strategic Agreements

In mid-2012 the government announced its plan to sign “strategic cooperation agreements” with key investors engaged mainly in production, with the aim that they continue operations in Hungary, and thereby contribute to growth and employment. As of January 24, 2013, 11 such agreements have been signed with the following companies: 1) Coca-Cola (US), 2) Richter Gedeon (Hungary), 3) Alcoa-Kofem (US), 4) Daimler AG (Germany), 5) Suzuki (Japan), 6) Hankook Tire (South Korea), 7) Microsoft (US), 8) GE (US), 9) Stadler Trains (Switzerland) 10) Tesco (UK), 11) IBM (US) Jabil (US) National Instruments (US), TATA (India), Sanofi (France) and Siemens (Germany).

Taxation

Since April 2010, the government has made a number of significant tax changes. The government approved cuts in personal and corporate income tax rates, intending to spur economic growth. The personal income tax rate was reduced to 16% for all income groups. The corporate income tax rate was increased to 19% for a tax base above HUF 500 million ($2.1 million) and reduced to 10% below this threshold. In 2012 the government increased the VAT from 25% to 27%, which is the highest in the EU. At the same time, the government imposed temporary financial sector taxes and “crisis taxes” on the energy, telecommunications, and retail sectors. Retail companies pay up to 2.5% when tax bases exceed HUF 100 million ($426,000), telecommunications companies pay up to 6.5% when tax bases exceed HUF 5 billion ($21.5 million), and energy suppliers pay up to 1.05% for all tax bases. In November 2012, the government decided to increase the “Robin Hood tax” from 11% to 31%. The former 19% corporate income tax rate will remain unchanged. Therefore, effectively, total tax for energy service providers increased from 30% to 50% as of January 1, 2013. The government also imposed a tax on electric wires, telecommunications cables, and pipelines including gas, water, and sewer pipes, adversely affecting companies operating in these areas.
The government recently announced that the bank tax would continue, despite an earlier agreement with the Banker’s Association to end the bank tax by 2014. It claimed that the government’s first priority was to keep the budget deficit below 3% of the GDP. Consequently, the bank tax will remain in place. It also introduced a financial transaction tax: 0.2% on all money transfers and 0.3% on cash withdrawals. The manufacturing sector however, is exempt from these “crisis taxes,” because the government considers manufacturing to be one of the driving forces of exports and growth.

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.

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Hungary's civilian labor force of 4.3 million is highly educated and skilled. Literacy exceeds 98% 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, yet Hungary still has the lowest level of foreign language proficiency in the EU.

Hungary's unemployment rate decreased from a peak of 11.8% in March 2010 to 10.6% in November 2012. This rate is just slightly lower than the EU-27 average of 10.7%. Hungary's labor participation rate is 58.1%-- low by European standards, but 3.5% higher than at the end of 2009. Despite the high unemployment rate, in certain sectors there remains a shortage of skilled and well educated employees. Regional differences in employment opportunities also prevail. The northwest and central regions of the country at times see shortages of skilled workers, particularly in the financial and manufacturing sectors. But east of the Danube, unemployment levels are above average, though the labor force is cheaper and still skilled. The government has turned its focus to help education adapt better to labor market requirements and is encouraging cooperation between higher education institutions and business. To achieve this goal, the government is reallocating state-funded scholarships from the humanities to the hard sciences and engineering with the aim of increasing university output in sought-after fields. Wages in Hungary are significantly lower than those in Western Europe. Average Hungarian labor productivity is lower than the EU average, but greater than that of other Central and Eastern European economies. To boost employment, this year's budget earmarked HUF 300 billion ($1.36 billion) for job protection, promoting the employment of unskilled workers, women returning from maternity leave, and those under 25 or above 55 years of age.

A new Labor Code came into force on July 1, 2012. It left the basic legal framework unchanged but introduced some significant changes to make the labor market more flexible and to boost the labor force participation rate. The new law transferred some of the collective bargaining rights from trade unions over to works councils. (Note: Although works councils have a similar mission to those of labor unions, they only exist at individual firms. Work councils are often more dependent on corporate leadership and less capable of representing employees' interests. End note.) Thus, the role of trade unions is expected to decrease further. Hungary's trade union membership rate, currently about 15% (the EU average is 25%), is also expected to fall.

Roles of Government and Trade Unions

The tripartite National Council for Interest Reconciliation, which was previously charged with negotiating the minimal wage, was replaced by the National Economic and Social Council (NGTT) in 2011 (Law on the composition of the National Economic and Social Council XCIII/2011). The new Council's members are representatives of employers and employees, delegates of Hungary's historical churches and certain members of civil society. The organization does not include representatives of the government, and its decisions, regarding the minimum wage and other labor regulations are no longer binding. The minimum wage is now set by decree after consultation with NGTT.

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

In late 2010, Parliament accepted a law that tightens provisions for a strike by civil servants and rules a strike illegal unless a preliminary agreement is reached on a provision of minimum service. If parties are unable to decide, they may bring their case to a Labor Court, which has five days to set minimum service levels. Parties have five days to repeal the Court's decision and the entire process cannot take more than 15 days.

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

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

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According to the National Bank of Hungary, foreign direct investment between 1995 and the third quarter for 2012 amounted to Euro 75.3 billion (which includes shares, other participation, and reinvested incomes, equivalent to $7.9 billion). Since a record high of Euro 6.2 billion in 2005, annual FDI inflow has been declining (from Euro 5.5 billion in 2006 to Euro 3.3 billion in 2011). Leading foreign investors include Germany, Austria, the Netherlands, and the United States. 72% of total FDI is from the EU. 15% of cumulative FDI in Hungary is in manufacturing, 3.6% in energy and utilities, 12.7% in trade, 6.5% in information technology, 7.5% in financial services (of which 6% is banks), and 7.1% in real estate. 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 Euro 11.1 billion. The majority of this is directed to services and crude oil processing.

Of the U.S.'s 50 largest multinationals, 40 are present in Hungary. The following U.S. companies have major investments here: GE, Alcoa, AES, Coca-Cola, O-I (Owens Illinois), General Motors, Guardian Industries, IBM, Lear Corporation, Pepsi Co, Sara Lee, Procter & Gamble, Visteon, Ford, Citibank, Emmis International, Emerson, Zoltek, PACCAR, Celanese, Exxon Mobil, EDS Sykes, Jabil Circuit, McDonald's, Burger King,

National Instruments, AIG/Lincoln, HP, Cisco, Microsoft, Oracle, Johnson & Johnson, Pfizer, Lilly, Monsanto, BD Medical, Johnson Controls, and, Dow Chemical.
Among the largest non-U.S. foreign investors in Hungary are: Deutsche Telekom, Audi, Nokia, Telenor, Vodafone, E.ON, Sanofi-Aventis, Electrolux, RWE, Tesco Global, Suzuki Motor, Auchan, Hankook, Mercedes Benz, SAP, ABB, Philips, CP Holdings, and Robert Bosch.

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

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

According to the definition of Act CXII of 1996 on Credit Institutions and Financial Enterprises (Financial Enterprises Act) credit institutions are financial institutions which collect deposits and provide credit lines and loans, and perform other financial services. A commercial bank may only operate in Hungary as company limited by shares (Rt.) or as branch office of a foreign bank. A permit from the Hungarian Financial Supervisory Authority (PSzÁF) is required before a commercial bank may be established and the commencement of operations in Hungary is allowed. In the case of a branch office of a foreign bank, a license for banking activities issued by its foreign authority is also required. The Financial Enterprises Act determines the range of financial services that commercial banks may provide.

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

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

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

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

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

(http://www.bankszovetseg.hu/)

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

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

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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

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For general information on convertibility of various EU currencies including the Euro, please look at the Conversion and Transfer Policies in Chapter 6.

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

U.S. Banks and Local Correspondent Banks

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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.

Project Financing

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

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

The EU provides project financing through grants from the European Commission and loans from the European Investment Bank. Grants from the Structural Funds program are distributed through the member states' national and regional authorities, and are only available for projects in the 27 (soon to be 28) EU member states. All grants for projects in non-EU countries are managed through the Directorate-General EuropeAid in conjunction with various European Commission departments, such as DG Regional Development.

EU Structural Funds

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. From 2007 – 2013, the EU earmarked EUR 308 billion for projects under the Structural Funds and the Cohesion Fund programs. In addition to funding economic development projects proposed by member states or local authorities, EU Structural Funds also support specialized projects promoting EU socioeconomic objectives. Member states negotiate regional and "sectoral" programs with officials from the regional policy Directorate-General at the European Commission. For information on approved programs that will result in future project proposals, please visit: http://ec.europa.eu/regional_policy/atlas2007/index_en.htm

For projects financed through the Structural Funds, member state officials and regional authorities 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 DG Regional Development officials and local officials in Member States 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 and EU Treaty rules. 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 highly advisable to team up with a local partner to gain credibility and demonstrate references.. All Structural Fund projects are co-financed by national authorities and most may also qualify for a loan from the European Investment Bank. The private sector is also involved in project financing. For more information on these programs, please see the market research section on the website of the U.S. Mission to the EU: http://export.gov/europeanunion/marketresearch/index.asp

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/thefunds/cohesion/index_en.cfm

Other EU Grants for Member States

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

External Assistance Grants

"Development and Cooperation – EuropeAid" is a new Directorate–General (DG) responsible for designing EU development policies and delivering aid through programs and projects across the world. It incorporates the former Development and EuropeAid DGs. Its 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 in these calls for tender is reserved for enterprises located in the EU member states or in the beneficiary country and requires that the products used to respond to these projects are manufactured in the EU or in the aid recipient country. Consultants of U.S. nationality employed by a European firm are allowed to form part of a bidding team. European subsidiaries of U.S. firms are eligible to participate in these calls for tender.

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

The EU also 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 focuses on priorities linked to the adoption of the *acquis communautaire* (the body of European Union law that must be adopted by accession candidate countries as a precondition to accession), i.e., building up the administrative and institutional capacities and financing investments designed to help them comply with European Commission law. IPA will also finance projects destined to countries that are potential candidate countries, especially in the Balkans. The budget of IPA for 2007-2013 is €11.4 billion.

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

The European Neighborhood Policy program (ENPI) 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 2012, the EIB lent EUR 52 billion for projects. 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. 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.

Web Resources

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<u>EU websites:</u>

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

EU tender repository: http://ted.europa.eu/TED/main/HomePage.do

The European Investment Bank: http://www.eib.org

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

<u>U.S. websites:</u>

Market research section on the website of the U.S. Mission to the EU:
http://export.gov/mrktresearch/index.asp

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.ustda.gov/

SBA's Office of International Trade
http://www.sba.gov/about-offices-content/1/2889

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

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Chapter 8: Business Travel

Business Customs

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

Travel Advisory

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

Visa Requirements

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

Any company in Hungary (even if foreign-owned) employing foreigners must apply for work permits for these employees, a process which takes 60-75 days. The Hungarian

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

Visa applicants should go to the following links:

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

Telecommunications Return to top

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

Transportation Return to top

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 continuous improvements to meet EU standards. Express toll highways connect Budapest west to Vienna, south to the Serbian border, and east almost to the Ukrainian border. The M6 highway between Budapest and Pecs (south west to Croatia) was completed in 2010.

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

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 in 2013:
New Year's Day - January 1, 2013
Revolution Day - March 15, 2013
Easter Monday - April 1, 2013
Labor Day – May 1, 2013
Whit Monday May 20, 2013
National Day - August 20, 2013
Republic Day - October 23, 2013
All Saints' Day – November 1, 2013
Christmas Day - December 25, 2013
Boxing Day - December 26, 2013

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

Customs Authorities. Information and contact are available at the website of the Hungarian Customs and Finance Guard.

http://en.nav.gov.hu/intormation_on_customs_matters
http://en.nav.gov.hu/intormation_on_customs_matters/General_Customs_Information

Web Resources Return to top

http://travel.state.gov/visa/visa_1750.html
http://hungary.usembassy.gov/consular2.html
http://buyusainfo.net/docs/x_8213360.pdf
http://www.export.gov/mrktresearch/index.asp
http://hungary.com
http://www.traveltohungary.com
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1137.html
http://www.atacarnet.com
http://www.usembassy.hu

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts Return to top

Hungarian Government, Ministries and Organizations

Website of the Hungarian Government:
http://www.kormany.hu/en
Ministry of Defense:
http://www.kormany.hu/en/ministry-of-defence
Ministry of Foreign Affairs:
http://www.kormany.hu/en/ministry-of-foreign-affairs
Ministry of Interior:
http://www.kormany.hu/en/ministry-of-interior
Ministry for National Economy :
http://www.kormany.hu/en/ministry-for-national-economy
Ministry of National Development:
http://www.kormany.hu/en/ministry-of-national-development
Ministry of Human Resources:
http://www.kormany.hu/en/ministry-of-human-resources
Ministry of Public Administration and Justice:
http://www.kormany.hu/en/ministry-of-public-administration-and-justice
Ministry of Rural Development:
http://www.kormany.hu/en/ministry-of-rural-development
Embassy of Hungary, Washington D.C.:
http://washington.kormany.hu/

National Development Agency:	http://www.nfu.hu/?lang=en
Hungarian Investment and Trade Agency:	http://www.hita.hu/
National Bank of Hungary:	http://english.mnb.hu/
Hungarian Export-Import Bank Rt:	http://exim.hu/en
Hungarian National Property Management Co.:	http://www.mnvzrt.hu/en/
Hungarian Competition Authority:	http://www.gvh.hu/gvh/alpha
Hungarian Trade Licensing Office:	http://mkeh.gov.hu/
National Media and Communications Authority:	http://english.nmhh.hu/
Council of Public Procurement:	http://www.kozbeszerzes.hu/

Hungarian Energy & Public Utility Regulatory Authority: http://www.eh.gov.hu/en/

Hungarian Trade and Industry Associations

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

United States Department of Commerce, U.S. Commercial Service, Budapest

Senior Commercial Officer:	Robert Peaslee
Commercial Attaché:	Marianne Drain
Commercial Specialist:	Csilla Virágos
Commercial Specialist:	Bianka Nauzika Wallner
Commercial Specialist:	Zsófia Méhes
Administrative and Budget Analyst:	Andrea Szabo
Address:	*Tel:* +36-1-475-4090
Bank Center, Granite Tower	*Fax:* +36-1-475-4676
Szabadság tér 7-9	budapest.office.box@trade.gov
H-1054 Budapest, Hungary	http://export.gov/hungary/

Market Research Return to top

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

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

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Trade Events in Hungary – 2013

AGRO + MASH EXPO – Agricultural Machinery Exposition
Dates: January 30^{th} – February 2^{nd}, 2013

Organizer: Hungexpo Zrt.
http://www.agromashexpo.hu

SZŐLÉSZET ÉS PINCÉSZET – Viticulture and Viniculture Exhibition
Dates: January 30th – February 2nd, 2013
Organizer: Hungexpo Zrt.
http://www.szpkiallitas.hu

MAGYAR KERT – Hungarian Garden
Dates: January 30th – February 2nd, 2013
Organizer: Hungexpo Zrt.
http://www.kertkiallitas.hu/
FeHoVa – Fishing, Hunting and Arms International Exhibition
Dates: February 14th-17th, 2013 (Feburary 13th-16th, 2014)
Organizer: Hungexpo Zrt.
http://www.fehova.hu

BUDAPEST BOAT SHOW
Dates: February 14th-17th, 2013
Organizer: Hungexpo Zrt.
http://www.boatshow.hu

UTAZÁS – International Travel and Tourism Exhibition
Dates: February 28th – March 3rd, 2013
Organizer: Hungexpo Zrt.
http://www.utazas.hungexpo.hu/

KARAVÁN SZALON – International Camping and Caravan Saloon
Dates: February 28th – March 3rd, 2013
Organizer: Hungexpo Zrt.
http://www.karavanszalon.hu/

VITÁL EXPO – Health Care and Pharmaceutical
Dates: February 28th – March 3rd, 2013
Organizer: Hungexpo Zrt.
http://vitalexpo.hu

BUDAPEST MOTOR FESZTIVÁL - Budapest Motorbike Festival
Dates: March 22nd-24th, 2013
Organizer: Hungexpo Zrt.-TUNING SHOW KFT.
http://www.motor.hungexpo.hu and http://www.tuningshow.hu

CONSTRUMA – International Construction Exhibition
Dates: April 10th-14th, 2013
Organizer: Hungexpo Zrt.
http://www.construma.hu

HUNGAROTHERM – Heating, Ventilation, Air-Condition and Sanitation
Dates: April 10th-14th, 2013
Organizer: Hungexpo Zrt.

http://www.hungarotherm.hu/

URB:ICON – Int'l Exhibition for Settlement Development and Project Fair
Dates: Apr. 10th-14th, 2013
Organizer: Hungexpo Zrt.
http://www.urbicon.hu
OTTHONDESIGN – Homedesign
Dates: Apr. 10th-14th, 2013
Organizer: Hungexpo Zrt.
http://www.lakberendezesesdesign.hu/
RENEXPO CENTRAL EUROPE - Renewable Energy and Energy Efficiency
Dates: April 24th-27th, 2013
Organizer: REECO Hungary Kft.
http://www.renexpo-budapest.com/

INDUSTRIAUTOMATION EXPO – Industrial & Automation Trade Exhibition
Date: May 28th-31st, 2013
Organizer: Hungexpo
http://www.industriautomation.hu/
MACH-TECH-Budapest - Machine Manufacturing and Welding Technology
Date: May 28th – 31st, 2013
Organizer: Hungexpo
http://www.mach-tech.hu/

CSUPA NŐ – All For Women
Dates: September 5th-8th, 2013
Organizer: Hungexpo Zrt.
http://www.csupano.hu/

PRINTEXPO
Dates: October 1st-3rd, 2013
Organizer: Hungexpo Zrt.
http://www.printexpo.hu/

BNV – Budapest International Consumer Goods Fair
Dates: October 2nd-6th, 2013
Organizer: Hungexpo Zrt.
http://www.bnv.hu

KÖLYÖK PARÁDÉ – Kids parade
Dates: October 2nd-6th, 2013
Organizer: Hungexpo Zrt.
http://www.kolyokparade.hungexpo.hu/

BUDATRANSPACK – Packaging and Logistics
Dates: October 15th-17th, 2013
Organizer: Hungexpo Zrt.
http://www.budatranspack.hu/

SERVICE EXPO – Business Solutions

Date: October 15th-17th, 2013
Organizer: Hungexpo
http://www.serviceexpo.hu/
BUSINESS TRAVEL SHOW
Date: October 16th-17th, 2013
Organizer: Hungexpo
http://www.turizmus.com/bts/index/4000/10005

AUTOMOTIVE & AUTOTECHNIKA
Date: November 7th-9th, 2013
Organizer: Hungexpo
http://www.automobil.hungexpo.hu/

ÍZEK ÉS BOROK - Food of World Nations' Cuisines and Wines exhibition
Date: November 23rd-25th, 2013
Organizer: Hungexpo
http://izekesborok.hu/
Educatio - International Trade Fair for Education (Education & Training)
Dates: January 17th-18th, 2014
Organizer**:** Studycentral Limited
http://www.biztradeshows.com/trade-events/educatio-fair.html

Trade Show Organizer Contact information:

HUNGEXPO Zrt.
1101 Budapest, Albertirsai út 10.
1441 Budapest, Po. 44.
http://www.hungexpo.hu
Tel: +36-1-263-6000
Fax: +36-1- 263-6098
info@hungexpo.hu

Please click on the link below for information on upcoming trade events.
http://www.export.gov/tradeevents/index.asp

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Chapter 10: Guide to Our Services

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

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

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

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

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

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

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