



Doing Business in Hungary:

2009 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In (Hungary)

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Market Overview

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Hungary is located in Central Eastern Europe with a population over 10 million, and has nearly fully transitioned from a centrally planned economy to a market-based one since the fall of communism in 1989. It is a member of the OECD (1996), NATO (1999) and the European Union (2004).

Per capita income is nearly two-thirds that of the EU-25 average and total GDP (purchasing power parity) is US\$182 billion. The private sector accounts for more than 80 percent of GDP.

Hungary's strategic location in Europe, access to EU markets, highly skilled and educated work-force, sound infrastructure and other advantages have led companies such as GE, Alcoa, Morgan Stanley, IBM and many others to locate facilities here, both in manufacturing and services.

Hungary's geographic position in Central Europe offers a strategic logistical hub within the region. Road, rail, aviation, and waterway networks fan out and offer access to the east and south – Russia and the newly emerging Balkans.

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

Market Challenges

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Recent Financial Market Turmoil

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

Investor risk aversion and global de-leveraging caused liquidity pressures in Hungary's financial markets and created significant stress in the government securities market. The

de-leveraging contributed to a significant weakening of the forint, and on October 22, 2008, the Hungarian National Bank increased the policy rate by 300 basis points to fend off a potentially destabilizing swing in the exchange rate.

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

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

As a result of lower domestic consumption and reduced demand for Hungarian exports, however, output is expected to contract in 2009. Greater-than-expected economic slowing in important Western European export destinations caused analysts, as well as the government itself, to project recently that the Hungarian economy may contract as much as 3 percent in 2009. The IMF estimates that growth is not expected to reach its estimated potential of 3 percent until 2011.

In the wake of this severe financial and economic crisis, the government announced measures in January 2009 meant to address problem areas and spur jobs and growth, including a promise to cut payroll and social benefits costs. These measures have yet to be detailed or implemented.

Business issues

Although Hungary can claim one of the lowest corporate tax rates in the EU (16 percent), the GOH introduced in 2006 a 4 percent "solidarity tax" as part of an austerity program designed to help Hungary attain macroeconomic conditions required for it to adopt the Euro. This, together with the substantial healthcare and other social benefits costs companies must bear, as well as local municipality taxes, makes the total tax rate for businesses one of the highest in Europe.

In addition, public procurement and tendering can be difficult for U.S. companies to negotiate.

Some projects, such as those funded by the EU, require participation by a European partner. Often there is a preference for products from companies long established in the market. The tendering process can be complex, with final decision-making criteria often opaque.

Rule making and permitting, especially at the local level, can be bureaucratic, inefficient and inconsistent.

Although Hungary adopted a market economy only 20 years ago, competition is fierce in virtually every sector. Many of the market leaders are from Western Europe (especially

Germany, Hungary's leading trading partner), but increasingly Hungarian and Asian (e.g., Chinese) firms also play a formidable role in the economy.

All companies must comply with standards, regulations and certification requirements of the EU, which Hungary joined in 2004. These may not be familiar to U.S. concerns. See <http://www.buyusa.gov/europeanunion/>.

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

Market Opportunities

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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.

Foreign direct investment (FDI) has helped modernize industries, create jobs, boost exports and spur economic growth. Cumulative FDI stock has totaled more than US\$90 billion since 1989, the highest in the region on a per capita basis.

Among the important sectors: automotive, IT, logistics and, more recently, shared services (e.g., back office and/or call center operations).

All told, American companies have invested more than \$9 billion in Hungary since 1989, making the U.S. the 4th-largest foreign investor behind Germany, Austria and the Netherlands.

Meanwhile, U.S. exports to Hungary have topped US\$1 billion dollars in each of the last five years, led by IT equipment, automotive components, industrial engines and other manufacturing supplies. (From January through November 2008, U.S. exports to Hungary were US\$1.32 billion, up slightly over total 2007 exports of US\$1.29 billion.)

Funding from the EU has also driven growth, and will continue to do so. Since 2004, EU funds have been used to improve telecommunications, energy and highway infrastructure. As part of a second National Development Plan (2007-2013), Hungary will allocate approximately €25 billion (US\$36.8 billion) in projects ranging from tourism and transportation to healthcare and environment.

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

Market Entry Strategy

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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 assist U.S. firms to access the Hungarian market and solve commercial problems through USCS's low-cost "Gold Key," market research, and other services.

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

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Chapter 2: Political and Economic Environment

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

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

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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. In selecting a representative, U.S. companies should consider: ability to cover the entire Hungarian market, manage price-setting, oversee sales channels, conduct marketing, manage operational expenses, and offer after-sales service. U.S. companies must ensure their agreements with local representatives comply with local and EU laws and regulations.

Key Link:

www.itd.hu

Many European firms maintain control of operations in Hungary through partially or wholly owned subsidiaries. Hungary also has many experienced and capable independent distributors. They are typically small to medium-size (5 to 49 employees) and communicate with clients through websites (increasingly in English) rather than brochures.

Distributors in Hungary can provide strategic support in positioning brands for the local market through advertising and promotional campaigns. Given their familiarity with local culture and business customs, distributors can also assist with after-sales service, which burnishes the U.S. firm's image. Citing heavy trading competition and Hungary's relatively small market, many distributors will negotiate for exclusivity, but U.S. firms can successfully insist on conditions for exclusivity or other concessions. Trade fairs are good places to look for distributors. A list of fairs for 2009-2010 can be found in Chapter 9.

Hungarian firms often prefer the role of distributor for foreign firms, while private entrepreneurs prefer to act as agents on behalf of their international partners. Agents act on behalf of the U.S. exporter, but do not take title to goods or assume financial risk. Agents generally work on a commission basis because they lack the working capital to carry stock or want to avoid high costs.

Hungarian financing: Although the rate varies by industry, agents in Hungary typically earn 3-10 percent sales commission depending on the value and nature of the product. Stocking distributors expect higher margins. The use of agents is more common in sectors where capital and technical expertise is paramount, such as machining, automation, tooling, and heavy industry. U.S. companies should meet personally with prospective agents to ensure all legal obligations are understood before signing an agreement. Note that a legally binding document can be in English or Hungarian, but in the event of commercial or tax dispute, an authenticated Hungarian version is the governing document.

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

EU REGULATIONS

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

Key Link:

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

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

Key Link:

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

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

Key Link:

http://ec.europa.eu/enterprise/regulation/late_payments/index.htm

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

Key Link:

<http://www.ombudsman.europa.eu/home/en/default.htm>

Data Privacy

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

Key Link:

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

Transferring Customer Data to Countries outside the EU

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

The Department of Commerce and the European Commission negotiated the Safe Harbor agreement to provide U.S. companies with a simple, streamlined means of complying with the adequacy requirement. It allows those U.S. companies that commit to a series of data protection principles (based on the Directive), and who publicly state that commitment by "self-certifying" on a dedicated website, to continue to receive personal data from the EU. Signing up is voluntary but the rules are binding on those who do. The ultimate means of enforcing Safe Harbor is that failure to fulfill the commitments will be actionable as an unfair and deceptive practice under Section 5 of the FTC Act or under a concurrent Department of Transportation statute for air carriers and ticket agents. While the United States as a whole does not enjoy an adequacy finding, transfers that are covered by the Safe Harbor scheme will. Companies whose activities are not regulated by the FTC or DoT (e.g. banks, credit unions, savings and loan institutions, securities dealers, insurance companies, not-for-profit organizations, meat packing facilities, or telecommunications carriers) are not eligible to sign up to the Safe Harbor.

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

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

Key Links:

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

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

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

Franchising

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Currently, there are approximately 300 franchise operations in Hungary, half of which are foreign-owned. The U.S. hamburger chain McDonald's can be considered the "king" of fast food franchisors in Hungary and Central Europe, as it has pursued a very successful transnational strategy. Others that have found success in the Hungarian market include Pizza Hut, Kentucky Fried Chicken, Burger King and Subway. Eastman Kodak, car rental companies Hertz, Avis and Budget, and porcelain refinishing franchisor

Kott Koatings are also well established. The Re/MAX real estate franchise began to build its Hungarian network in 2006.

There have also been some franchising retreats from the Hungarian market, due to different tastes and practices in the Hungarian market. Dunkin' Donuts, Wendy's and New York Bagel are examples of U.S. companies with a short-lived presence in Hungary.

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

According to industry experts and post's experience, selling sub-franchises, providing financing, setting lower master franchise fees and/or using foreign master franchisees are keys to success in the Hungarian market. Franchising is still relatively underdeveloped, compared to American or Western European standards. As a proportion of the retail sector, Hungary lags considerably behind the United States, Japan, and the rest of the EU.

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

Direct Marketing

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Direct marketing is an accepted business practice in Hungary, as in other EU countries. (See below for information on EU-wide regulations on direct marketing.) The Association of Direct Selling (DSA) (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 seven 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, Flavon Group, GNLD International, Herbalife, Sunrider, 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.nfh.hu>). According to the law, consumers must be properly informed about prices, quality, instructions for the use of goods and any hazards associated with such use, and delivery and packaging costs at the site of the sale. If these regulations are violated, the consumer may seek legal redress against the manufacturer, distributor, or direct marketer. Customers generally have the right to return goods without explanation within

seven calendar days, and have the right to a full refund or appropriate exchange within 30 days, where provided for by contract. Promotional literature or mailings may not contain deceptive or misleading product descriptions, claims or illustrations and must include the name and address or telephone number of the company. E-mail sales efforts should be clearly identifiable to the consumer when received, and recipients can opt-out of future solicitations. When an order is placed, the service provider must quickly acknowledge receipt via email. The law does not cover the sale of goods at markets, fairs, and other public places. Direct marketing agents may not visit potential customers at their homes after 7:00 pm and before 9:00 am without prior notification and consent. The agent must prove identity by presenting a delegation authority or ID card.

EU REGULATIONS

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

Processing Customer Data

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

Distance Selling Rules

- Distance and Door-to-Door sales
The EU's Directive on distance selling to consumers (97/7/EC and amendments) sets out a number of obligations for companies doing business at a distance with consumers. It can read like a set of onerous "do's" and "don'ts," but in many ways it represents nothing more than a customer relations good practice guide with legal effect. Direct marketers must provide clear information on the identity of themselves as well as their supplier, full details on prices including delivery costs, and the period for which an offer remains valid – all of this, of course, before a contract is concluded. Customers generally have the right to return goods without any required explanation within seven days, and retain the right to compensation for faulty goods thereafter. Similar in nature is the Doorstep Directive (85/577/EEC) which is designed to protect consumers from sales occurring outside of a normal business premises (e.g., door-to-door sales) and essentially assure the fairness of resulting contracts.
Key Link: http://ec.europa.eu/consumers/cons_int/safe_shop/index_en.htm
- Distance Selling of Financial Services
Financial services are the subject of a separate Directive that came into force in June 2002 (2002/65/EC). This piece of legislation amends three prior existing Directives

and is designed to ensure that consumers are appropriately protected in respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the Directive establishes criteria for the presentation of contract information. Given the special nature of financial markets, specifics are also laid out for contractual withdrawal.

Key Link:

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

Direct Marketing over the Internet

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

Key Link:

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

Joint Ventures/Licensing

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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 www.jointventure.hu

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

Hungarian Bar Association: <http://www.magyarugyvedikamara.hu/>

Budapest Bar Association: <http://www.bpbar.hu/html/index.php?load=site>

Hungarian Patent Office: <http://www.hpo.hu/English/hivatalrol/>

Public procurements amounted to HUF 1,417.9 billion (USD 8.2 billion) in 2008, down 7 percent from 2007. Figures do not yet include simplified public procurement procedures, as these will not be available until the end of May. These are expected to bring the total to about HUF 1,600 billion (USD 9.3 billion). The number of public procurement procedures rose 13.5 percent to 3,911 in 2008. The number of procurements paid for with EU funding rose, but the number paid for with domestic money fell. About 40 percent of public procurement procedures exceeded the value thresholds requiring tenders to be published in the EU's procurement gazette. In value terms, these procedures accounted for 85 percent of the total. From April 2009, Hungary will adopt a single value threshold. Currently, the threshold is HUF 50 million (USD 291,036) for procurements of water, energy and postal services, and HUF 30 million (USD 174,622) for all other procurements. The number of open procurement procedures rose 16 percent to account for 54 percent of the total. In value terms, open procedures accounted for 49 percent of the total.

Hungary's Act CXXIX on Public Procurement, adopted January 1, 2004, requires open tenders for purchases of goods and services (except in R&D and telecom) exceeding €137,000 when procured by Hungary's Ministries, Prime Minister's Office, or Centralized Public Procurement Agency (CPA). For all other central or local government institutions, the open tender threshold for goods and services is €211,000. For construction and construction concession, the threshold is €5,278,000, regardless of which public entity.

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

EU REGULATIONS

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

- Directive 2004/18 on Coordination of procedures for the award of public works, services and supplies contracts, and
- Directive 2004/17 on Coordination of procedures of entities operating in the Utilities sector, which covers the following sectors: water, energy, transport and postal services.

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

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

European public contracting authorities above the agreed thresholds. The revision of this agreement should be finalized in 2009.

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

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

Key Link:

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

Distribution and Sales Channels

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Budapest and its suburbs have become a preferred location for multinationals (e.g., GM/Opel, Pepsi, Coca-Cola, H-P, 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 2008, the overall volume of retail trade in Hungary slightly decreased, compared with 2007. Retail sales in 2009 are expected to be negatively impacted by the current economic and financial crisis.

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

Until recently, small, family-owned stores dominated Hungary's retail sector. Thousands of these stores continue to serve rural populations, posing logistical challenges for distributors and suppliers. However, medium-sized, financially well-established local chains are making inroads in Hungary's retail sector; such chains include Coop, Real and CBA. Discount food chain stores have also burst onto the scene. Lidl has 100 stores nationwide, Penny Market 152, Plus 174, Profi 73 and Aldi 31.

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

Budapest by the end of 2008, compared to 35 in the smaller cities. Budapest's largest mall is Arena Plaza, with 66,000 sq m, followed by Mammut I+II, with 52,200 sq m, West End City Center, Arkad, and Polus Center.

Between 2005 and 2008, four up-scale malls with large movie theaters opened in Buda: Recsei, Mammut II, Arena and Sugar. Malls have also opened in Szeged, Győr, Debrecen, Pécs, Szekesfehérvár, Eger, Nyiregyháza or Kecskemet.

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

Selling Factors/Techniques

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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 languages 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.

U.S. companies should also be aware that access to capital is limited for many Hungarian firms. With inflation until recently running at about 6%, and interest rates running as high as 12% (currently 9.5%), 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 should visit potential Hungarian customers when presenting a proposal and discuss all conditions of future dealings. U.S. Commercial Service Budapest, through its Gold Key Service and International Partner Search Service, can pre-screen export market potential in Hungary, before U.S. firms commit resources.

Electronic Commerce

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

Due to a lingering distrust of e-payments, e-commerce had a slow start in Hungary and continues to lag behind Western Europe. The most developed segment, however, is e-banking. Business-to-Consumer (B2C) e-commerce represents 0.5 percent of Hungary's retail trade compared to 1.8-2.0 percent in EU 15 countries. In 2008, B2C e-

commerce was estimated to reach USD 233-291 million (excluding tourist services and air ticket sales). According to industry sources, 80 percent of Hungary's e-commerce revenue is made by the 20 major players of its roughly 1400 B2C companies. Books, office supply, CDs, DVDs, IT and telecommunications equipment, food and apparel generate the most business.

Online marketplaces like Vatera.hu increased its turnover by 41 percent in 2007 to HUF 6.9 billion (USD 40 million). It has 470,000 registered users compared to Teszvesz.hu with 410,000 registered users generating turnover of HUF 2 billion (USD 12 million) in 2007.

Key Links:

www.ivsz.hu Association of Hungarian IT companies

www.marketline.hu Electronic marketplace

EU REGULATIONS

In July 2003, the EU started applying Value Added Tax (VAT) to sales by non-EU based companies of Electronically Supplied Services (ESS) to EU based non-business customers. U.S. companies that are covered by the rule must collect and submit VAT to EU tax authorities. European Council Directive 2002/38/EC further developed the EU rules for charging Value Added Tax. These rules are currently set to expire at the end of 2009.

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

Key Link:

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

Trade Promotion and Advertising

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Trade promotion is critical for success in Hungary. Exhibiting in and attending trade and scientific shows and seminars, both international and local, can help U.S. companies reach their target audience. Distributors in Hungary often advertise in trade journals to reach their market. Trade associations offer high quality publicity and low cost web advertising.

Specialized, sector-specific trade shows have become increasingly common in Hungary. These sectors include: IT, environmental technologies, automotive, agri-business, franchising, and building products. See the section on Trade Events in Chapter 9 for a listing.

After the brand-building boom of the 90s, the advertising market in Hungary is rather stable. TV remains the most important medium, followed by print, outdoor, radio and internet; outdoor and internet developing above the market dynamics.

The legal frameworks of advertising are laid down in the 1997 Advertising Law. The Hungarian consumer protection regulation system changed on 1st September 2008. Act XLVII of 2008 on the Prohibition of Commercial Practices that Are Unfair to Consumers (hereinafter UCPA), furthermore, Act XLVIII of 2008 on Essential Conditions of and Certain Limitations to Business Advertising Activity (a new Act on business advertising) entered into force.

<http://www.gvh.hu/domain2/files/modules/module25/6027837CDBA9C919.pdf>

Moreover, Act LVII. of 1996 (Competition Act) on the prohibition of unfair and restrictive market practices was amended:

<http://www.gvh.hu/domain2/files/modules/module25/6024964C09A66629.pdf>

Important advertising restrictions are:

- Advertising prescription drugs, vaccines, and over-the-counter preparations subsidized from social security funds is prohibited.
- Advertising arms, munitions and tobacco products (including a ban of sponsorship on international sports and cultural events) is banned. These products can be advertised with strict restrictions at the point of sales. No image advertising is allowed, only pack-related product information is allowed.
- Alcohol advertisements must not target minors or encourage excessive consumption, must not link consumption to enhanced physical performance, social or sexual success and 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.

The key institutions in Hungary that check advertising practices are the National Consumer Protection Authority and the Hungarian Competition Authority. In some cases, the regulating body of the sector also has the right to check advertising. For example, the State Financial Supervisory Authority oversees ads of financial services providers. Advertisers can have their advertisements assessed by the self-regulating body of the Hungarian advertising industry (ÖRT), but only to test ethics concerns. It is advised to have all communication materials thoroughly checked by local lawyers to avoid heavy fines, especially as some important categories have only been defined in very vague terms by the law, which gives the authorities a wide framework for interpretation.

Following is a list of exhibition and media companies:

Hungexpo Rt. (fair organizer) www.hungexpo.hu

ElitExpo Kft. (fair organizer) www.elitexpo.com

Budapest Business Journal (weekly and daily papers) www.bbjonline.hu

Budapest Week (weekly paper) www.budapestweek.com

Budapest Times (weekly) www.budapesttimes.hu

Nepszabadsag – People`s Freedom (daily) www.nol.hu

Magyar Hirlap – Hungarian Newspaper (daily) www.magyarhirlap.hu

Magyar Nemzet – Hungarian Nation (daily) www.mno.hu
Vilaggazdasag – World Economy (daily) www.vg.hu
Weekly World Economy www.hvg.hu/english.aspx
Info on BSP <http://www.buyusa.gov/hungary/en/314.html>
Info on FUSE <http://www.buyusa.gov/hungary/en/358.html>
Info on Single Company Promotion <http://www.buyusa.gov/hungary/en/357.html>

Other Useful Links:

Hungarian Competition Authority <http://www.gvh.hu>
National Consumer Protection Authority <http://www.nfh.hu>
Self-Regulating Advertising Association (Önszabályozó Reklám Testület)
<http://www.ort.hu>

EU REGULATIONS

General Legislation

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

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

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

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

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

Key Link:

http://ec.europa.eu/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm

Medicine

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

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

Key Link:

http://ec.europa.eu/enterprise/pharmaceuticals/patients/patients_key.htm

Food

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

Nutrient profiles will be developed by January 2009, based on scientific evaluations by the European Food Safety Authority (EFSA). Once they have been set, there will be another two-year period before the nutrient profiles begin to apply to allow food operators time to comply with the new rules. Nutrition claims can fail one criterion, i.e. if only one nutrient (salt, sugar or fat) exceeds the limit of the profile, a claim can still be made provided the high level of that particular nutrient is clearly marked on the label. For example, a yogurt can make a low-fat claim even if it has high sugar content but only if the label clearly states “high sugar content”. Health claims cannot fail any criteria. New products on the EU market must respect the conditions for using nutrition claims set out in detail in the Annex of Regulation 1924/2006. Products already labeled or on the market before January 2007 may remain on the market with the old labels until January 2010. From 2010, only nutrition claims included in the Annex will be allowed. A list of well-established health function claims such as “calcium is good for your bones” will be established by January 2010, based on Member States’ lists of health claims

already approved at national level. Disease risk reduction claims and claims referring to the health and development of children will require an authorization on a case-by-case basis, following the submission of a scientific dossier to EFSA. A simplified authorization procedure has been established for health claims based on new scientific data. [GAIN Report E48055](#) describes how application dossiers for authorization of health claims should be prepared and presented. A guidance document on how companies can apply for health claim authorizations can be downloaded from EFSA's website at http://www.efsa.europa.eu/EFSA/efsa_locale-1178620753812_1178623592471.htm.

Key Link:

http://ec.europa.eu/food/food/labellingnutrition/claims/index_en.htm

Food Supplements

Regulation 1925/2006, applicable as of July 1, 2007, harmonizes rules on the addition of vitamins and minerals to foods. The regulation lists the vitamins and minerals that may be added to foods and sets criteria for establishing minimum and maximum levels.

Key Link:

<http://useu.usmission.gov/agri/foodsupplements.html>

Tobacco

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

Key link:

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

Pricing

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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. For example, U.S. exporters might ship products unassembled to take advantage of lower duties or offer favorable financing to Hungarian buyers with the help of the U.S. Export-Import Bank.

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

Key Links:

<http://vam.gov.hu/welcomeEn.do>

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

On the other hand, Hungary's Value Added Tax (VAT) sharply increases the price of U.S. exports for Hungarian consumers. Although the Hungarian Government reduced the VAT's top rate to 20 percent in 2006, down from 25 percent, one of Europe's highest, the VAT still adds a considerable burden. In early 2009, aiming to boost income, the GOH was again proposing to raise the VAT.

Key Link:

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

EU-oriented reforms have removed price controls on utilities over the past 15 years. In the past two years, the Hungarian Government largely deregulated electricity, gas and wastewater prices, which caused price increases in many cases.

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.

EU REGULATIONS

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

Product Liability

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

Key link:

http://ec.europa.eu/enterprise/regulation/goods/liability_en.htm

Product Safety

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

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

Legal Warranties and After-sales Service

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

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

Key link:

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

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

HUNGARIAN REGULATION

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

Protecting Your Intellectual Property

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Introduction

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

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

instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Hungary require constant attention. Work with legal counsel familiar with Hungarian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

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

These include:

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

IPR Climate in Hungary

Information on IPR in Hungary can be obtained from the USTR National Trade Estimate (NTE) Report and the USTR Special 301 Report, both available at <http://www.ustr.gov>. Also helpful is the Hungarian Patent Office website <http://www.hpo.hu/English/hivatalrol/>.

EU REGULATIONS

Copyright

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

Key Link:

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

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

Key Link:

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

Patents

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

Key Links:

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

<http://www.european-patent-office.org>

Trademarks

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

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

Key Links:

<http://oami.europa.eu/>

<http://www.wipo.int/madrid/en>

Designs

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

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

Trademark Exhaustion

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

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

Key Link:

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

Due Diligence

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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 posed by the U.S. client. We can also conduct specialized research for your company through the "Customized Market Research" (CMR) service.

More info on ICP and CMR, including prices is available at:

<http://www.buyusa.gov/hungary/en/315.html>

Local Professional Services

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Hungary continues to attract world-class professional service firms. U.S. Commercial Service Budapest has been in contact or working with many of them for years.

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

Commercial banks:

Citibank Rt.: http://www.citibank.hu/hungary/homepage/index_e.htm

OTP Bank Rt. (largest Hungarian bank):

https://www.otpbank.hu/OTP_Portal/online/index_e.jsp

Management consulting firms:

Accenture Kft.: <http://www.accenture.com/home/default.htm>

American Appraisal Magyarorszag Kft.: <http://www.american-appraisal.hu/>

KPMG Kft.: <http://www.kpmg.hu/index.shtml/>

Hungarian Association of Management Consultants: <http://www.vtmsz.hu/angol.htm>

Relocation:

Move One: <http://www.moveone.info/>

E.R.C. Expat Relocation Center: <http://www.expatshungary.com/>

Inter Relocation: <http://www.interrelo.com/>

Auditing/Accounting:

Ernst & Young Hungary: http://www.ey.com/global/content.nsf/Hungary_E/Home

PriceWaterHouseCoopers: <http://www.pwc.com/hu/eng/main/home/index.html>

Branko Kft.: <http://www.branko.hu/en/home.html>

Market research firms:

AC Nielsen Hungary: www.acnielsen.hu

GfK Hungaria: <http://www.gfk.com/gfkhungaria/index.en.html>

Kopint-Datorg: <http://www.kopdat.hu/>

Echo Consulting: <http://www.echo.hu/>

Logistics and industrial parks:

ProLogis Hungary: http://www.prologiseurope.com/hungary_home.php

AIG Lincoln Hungary: <http://www.aiglincoln.com/hungary/en/home/>

Waberer's Group: <http://www.waberers.hu/en/index>

Hungarian Logistics Association: <http://mle.hu/startpage>

IT service providers:

Synergon Informatika Rt.: <http://www.synergon.hu/en/>

Montana IT es Kommunikacios Rt.: www.montana.hu

AlbaComp Rt.: <http://www.albacom.hu/index.php?lang=en>

Association of Hungarian IT companies:

http://english.ivsz.hu/engine.aspx?page=ivsz_en

Internet service providers:

<http://www.t-online.hu/ajanlataink/english/index.html>
www.gtsgatanet.hu
<http://english.invitel.hu/>

Other local service providers: <http://www.buyusa.gov/hungary/en/314.html>

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: www.buyusa.gov/europeanunion/services.html

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

EU REGULATIONS

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Web Resources

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Hungarian Websites:

U.S. Commercial Service, Budapest, Hungary: www.buyusa.gov/hungary/en

American Chamber of Commerce Hungary: www.amcham.hu

Association of Hungarian IT companies:

http://english.ivsz.hu/engine.aspx?page=ivsz_en

Int'l Trade Development Agency: <http://www.itd.hu/Engine.aspx>

Association of Hungarian Vehicle Importers:

<http://www.gepjarmuipar.hu/index2.php?lang=en>

Monthly Trade Publication on the Hungarian Textile, Apparel, Leather and Footwear Industry: http://textilforum.cel.hu/index_en.htm

Book of List by Budapest Business Journal: www.bookoflists.hu

Customs information: <http://vam.gov.hu/welcomeEn.do>

National Bank of Hungary: <http://english.mnb.hu/Engine.aspx>

Hungarian Franchise Association: <http://www.franchise.hu/index.php?hir=14>

National Development Office: <http://www.nfu.hu/?lang=en>

Public Procurements Opportunities: <http://www.kozbeszerzes.hu/?locale=en>

Joint Venture Association: <http://www.jointventure.hu/en/index.html>

Ernst & Young: http://www.ey.com/global/content.nsf/Hungary_E/Home

Squire, Sanders & Dempsey LLP, Komaromi & Eros: www.ssd.com

Information on Import licensing:

http://ec.europa.eu/taxation_customs/dds/tarhome_en.htm

Patents Key Link: www.europa.eu.int/comm/internal_market/en/indprop/index.htm

Trademarks and Designs Key Link: <http://oami.europa.eu/>

EU websites:

Coordination of the laws of the Member States relating to self-employed commercial agents (Council Directive 86/653/EEC):

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

Agreements of Minor importance which do not appreciably restrict Competition under Article 81(1) of the Treaty establishing the European Community

[http://eur-](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf)

[lex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf)

Regulation on late payment:

http://ec.europa.eu/enterprise/regulation/late_payments/index.htm

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

EU's general data protection Directive (95/46/EC):

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

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

Model Contracts:

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

Data Protection Working Group:

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

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

Distance Selling of Financial Services:

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

E-commerce Directive (2000/31/EC):

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

VAT on Electronic Service:

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

The Unfair Commercial Practices Directive:

http://ec.europa.eu/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm

Information to Patients - Major developments:

http://ec.europa.eu/enterprise/pharmaceuticals/patients/patients_key.htm

Nutrition and health claims made on foods:

[Regulation 1924/2006](#)

Provisions of Nutritional Labeling:

[Nutritional labeling directive 90/496/EC](#)

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

[GAIN Report E48055](#)

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

http://www.efsa.europa.eu/EFSA/efsa_locale-1178620753812_1178623592471.htm.

Health & Nutrition Claims:

http://ec.europa.eu/food/food/labellingnutrition/claims/index_en.htm

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

Product Liability: http://ec.europa.eu/enterprise/regulation/goods/liability_en.htm

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

Legal Warranties and After-sales Service:

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

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

Harmonization of certain aspects of Copyright and related rights in the Information Society - Copyright Directive (2001/29/EC):

http://eur-lex.europa.eu/pri/en/oj/dat/2001/l_167/l_16720010622en00100019.pdf
Industrial Property: http://ec.europa.eu/internal_market/indprop/index_en.htm
European Patent Office (EPO): <http://www.european-patent-office.org>
Office for Harmonization in the Internal Market (OHIM): <http://oami.europa.eu/>
World Intellectual Property Organization (WIPO) Madrid: <http://www.wipo.int/madrid/en>
Directive on harmonizing trademark laws:
http://ec.europa.eu/internal_market/indprop/tm/index_en.htm

U.S. websites:

EU Public Procurement: http://www.buyusa.gov/europeanunion/eu_tenders.html
Food supplements: <http://useu.usmission.gov/agri/foodsupplements.html>
Local Professional Services: <http://www.buyusa.gov/europeanunion/services.html>.
EU Member State Country Commercial Guides - Market Research Library:
<http://www.export.gov/mrktresearch/index.asp>

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

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- [Renewable Energy](#)
- [Travel and Tourism Services and Investment \(TRA\)](#)

The Showcase Europe program run by the U.S. Department of Commerce's offices throughout Europe provides U.S. exporters a broader perspective on the European market. It is organized around eight leading sectors (listed alphabetically): aerospace & defense, automotive, energy & power generation, environmental technologies, information & communications technologies, medical & pharmaceutical, safety & security and travel & tourism. For more information on how to receive an assessment of your company's product potential in Europe, please visit: <http://www.buyusa.gov/quicktake>

Biotechnology (BTS)

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Many of Hungary's top scientists are working in biotechnology. Affiliates of the Hungarian Academy of Sciences and by-laboratories at pharmaceutical firms and universities in Budapest, Szeged, Debrecen, and Pecs conduct research. Most investment-intensive biotech research is affiliated with multinational biotech or pharmaceutical firms, but some of small, private, Hungarian firms operate as well. Ten such companies have opened in the last two years.

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In 2005, the Hungarian Government developed a five-year National Biotechnology Strategy http://www.itdh.com/engine.aspx?page=biotech_facts_strategy to advance this sector. To encourage start-up and spin-off companies, the government offers seed money and is forming four biotech clusters around existing biotech companies and university R&D centers. Government support tends to encourage companies to conduct the less-costly clinical trials, rather than instigate new research projects. Most biotech ventures export their products and results to foreign markets, as the domestic market remains too small to support R&D development.

Opportunities

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About fifty domestic biotech companies are in Hungary, creating investment opportunities in both spin-offs and capital appreciation.

http://www.itdh.com/engine.aspx?page=biotech_facts_companies

Critical mass of capital investment opportunities into Hungarian biotech start-ups and spin-offs:

Up to EUR 1 million:

- Topical NO Donors Therapy
- Avi-Chemix™ Chemical Microarrays
- Diabetes Drug
- Human Bone Grafts Therapy
- Natural Health Products
- Spine Knows Better Orthopedic Device
- Multi-functional Gas Analyzer Device
- eccPCR Kit Spin-off Capital Increase

EUR 1 to 3 million:

- Transgenic Animal Models
- MAS-H5N1 Virus Detection Device
- Assays for Human Skin Research
- Biochip Microfluidic Device
- Biofotonika Spectrophotometer Device
- Tonosoft Tonometric Device
- Transmentix Schizophrenia Diagnostics
- Atherosclerosis and Cytoprotective Therapy
- Medicinal Chemistry Software
- MMP Inhibitors Cardioprotective Therapy
- Zebrafish Assays
- Cera-Med Safety Pharma Technologies
- MoAb Immunodiagnosics
- Sensocrine Pharmacotherapy
- Serum-free Culture Media Additives
- Cancer Therapy
- Herpavir Therapy
- Biogas Inoculi Technology
- Digoxin Combination Drugs
- Gingko Benfo Anti-Dementia Drug
- Humanized Mice Transporter Models

EUR 3 to 5 million:

- Artificial Blood Therapy
- MDQ Theranostics

Above EUR 5 million:

- DermaVir Immunotherapy
- Immunising Antigen – Atherosclerosis Vaccine Therapy
- Deuterium Depletion Therapy
- MAS-MicHip Therapy & Device
- MDR Reversal Drug
- Cherry Seed Therapy & Cosmetics

Further information on about 40 biotech projects is available at [Biosciences_Projects_Hungary-2007.pdf](#)

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Investment & Trade Development Agency: www.itd.hu

Hungarian Biotechnology Association: <http://www.hungarianbiotech.org/english>

National Office for Research & Technology (managing the Innovation Fund):
<http://www.nkth.gov.hu/english>

The country's No 1 Biotech Research Center in Szeged: www.szbk.u-szeged.hu

University Knowledge Centers include Genomnanotech Debrecen Knowledge Center (focus on life sciences incl. biotech): <http://gnd.unideb.hu/English>

Commercial Specialist – Andrea Imrik: andrea.imrik@mail.doc.gov

3/10/2009

Computer Software (CSF)

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	2005	2006	2007 (est.)
Total Market Size (in USD millions)	513	563	664

Source: European Information Technology Observatory (figures were converted from € at €1 = 1.246 USD in 2005, €1 = 1.26 USD in 2006, EUR 1=1.37 USD in 2007)

According to a survey conducted by IDC Hungary, the size of the Hungarian IT market was HUF 590 billion (USD 3.2 billion) in 2007, representing a 4.4% yearly growth rate. The HUF 264 billion (USD 1.4 billion) spent on IT services represents an 8.1% yearly growth rate, with a 44.7% share in total IT spending. Sales of hardware amounted to HUF 231 billion (USD 1.3 billion) showing a decreasing share of 39.29% with only a 0.3% yearly growth rate. End users spent HUF 95 billion (USD 518 million) on software: an increase of 4.9% from 2006 in software sales.

IDC estimates 2008 growth was 2% for the total IT market, with hardware sales decreasing, but services and software sales growing by 3-4%. In 2009, the overall market is likely to stagnate or even drop as a result of the economic crisis affecting key segments (e.g., public sector, financial, telecom and processing industry) that typically drive demand for IT developments. But in relative terms, IT should perform well.

Best Prospects/Services

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Forecasters anticipate 5-6% annual growth in the Hungarian Customer Relations Management (CRM) market. Banks, telecommunications companies, large companies and utilities are the primary CRM consumers. But SMEs are also a quickly growing segment as they are able to access special EU funds for IT upgrades. Major suppliers include SAS, Oracle-Siebel, Amdocs, Microsoft, SAP and some domestic companies like R&R Software. Hungary's service and support center sector is a growing consumer of CRM applications. There is also increasing demand for industry specific, vertical CRM solutions.

According to IDC, the size of the Enterprise Resource Planning (ERP) market was about HUF 13 billion (USD 71 million) in 2007. The SME sector was and continues to be the main driving force of the market. The potential here is large, as only a fraction of the thousands of SMEs have installed an ERP solution. Moreover, SME spending on ERP will increase substantially, again thanks to EU funding.

The automotive sector maintains a major share (25%) in ERP spending. Other leading sectors are commerce and utilities, each claiming a share of over 10%. The market of ERP solutions for large companies has been saturated for years. However, opportunities to provide vertical solutions for special industry sector processes exist. Major suppliers include: SAP, Microsoft, Libra (Hungary), Oracle and R&R Software

(Hungary). Yearly growth rate for the next five years is projected by IDC at 8-9%. The largest growth is expected in the telecom, media and public sectors.

While the market for IT security software had about 15% growth in 2007, and was estimated to grow by as much as 20% per annum in the subsequent years, current macroeconomic trends may ease growth rates in the short term. Still, the long-term outlook for security software is positive. Currently, over half of IT security spending goes for basic content security solutions like antivirus, spam, spyware, and web filtering software. Identity and access control management software has been the most dynamic segment in recent years - a trend that is likely to continue. Intrusion detection and vulnerability management software are growing more slowly. Major suppliers include Symantec, McAfee, and CA.

Opportunities

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The EU supports development of Hungary's IT infrastructure through the second National Development Program. EU development funds totaling USD 4.6 billion for 2007-2013 will allow Hungary to increase IT spending by 25% over projected levels for the period including Customer Relations Management (CRM) and Enterprise Resource Planning (ERP) software. EU funds require a 30-50% matching contribution and are available for micro, small or medium size companies and private entrepreneurs. U.S. firms are eligible via partnership with a EU entity.

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Association of Hungarian IT companies: www.ivsz.hu

International Data Corp. Hungary Offices: www.idchungary.hu/hungary/index.html

Számítástechnika (Computerworld) Magazin (weekly): www.computerworld.hu

IT-Business (weekly magazine): www.it-business.hu

European Information Technology Observatory: www.eito.org

A portal launched by Oracle Hungary, HP Hungary, OTP Bank and Leadex Hungary for SMEs and local governments on available EU funds: www.directeurope.hu

National Development Office: www.nfh.hu

Commercial Specialist – Andrea Imrik: andrea.imrik@mail.doc.gov

Franchising (FRA)

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The Hungarian Franchise Association estimates that there are about 300 franchise systems in Hungary, representing approximately 10 percent of the retail sector. About half of the franchises are foreign owned; about 25% of foreign-owned franchises are American, while EU countries, especially Germany, hold the remainder. According to the Franchise Association, the share of retailing franchises is increasing, up 10 percent in recent years. Currently, fast-food establishments are the leading sector in Hungary. McDonald's, Burger King, Pizza Hut, Kentucky Fried Chicken and Subway are well-represented with approximately 150 restaurants, mainly in Budapest. Other American franchises include Kott Koating's porcelain finishing, Eastman Kodak, Curves and car rental companies such as Hertz, Avis and Budget. Best Western, Holiday Inn and Marriott are also present in the market. Re/MAX real estate franchise began building its Hungarian network in 2006 and is expanding rapidly. It had 45 affiliate members by the end of December 2008. The most successful franchisor in Hungary is McDonald's, with close to 100 corporately-owned and franchised units countrywide.

Major third country franchises include those from Germany (Alois Dallmayr vending machines, OBI do-it-yourself chain, High-Care cosmetics), Belgium (Photo Hall, photo development and electronic equipment), and France (hotels Mercure and Ibis).

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

Opportunities

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

There are various franchise-related exhibitions to promote U.S. concepts, including the annual International Franchise Exhibition and BuyBrand Show, taking place in November 2009.

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

- Katalin Barazda, Commercial Specialist, katalin.barazda@mail.doc.gov

Logistics (TRN)

Overview

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	2006	2007	2008 I-III Q
Total Market Size (Thousand tons)	314,161	331,518	257,890

Source: Hungarian Statistical Office www.ksh.hu

Due to its position astride major international freeways, improving Hungary's transportation infrastructure is a government priority. The Ministry of Economy and Transportation designated eleven logistical regions and thirteen logistics centers in Hungary, which are classified as nationally important. Improved road access around Budapest, primarily the M0 ring road, is almost complete. The Hungarian logistics market has been growing at 10-20% annually and accounts for roughly five percent of GDP.

As motorway development has increased, so has the transportation of goods through Hungary: in 2008, total transported weight increased by 3% from 155.8 million tons to 160.6 million tons year-on-year. This is mostly highway-based logistics growth; rail cargo decreased by 5% and waterway transportation grew, but represents a small portion of the market.

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

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

The following plans are designated priorities between 2007 and 2015:

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

Resources

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

Pollution Control (POL)

Overview

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	2005*	2006*	2007*	2008**
USD/HUF exchange rate	199.66	210.51	183.83	171.80
Total Market Size in mio USD (actual USD / HUF rate)	1,013.6	960.7	932.2	1,097.2
Total Market Size in mio USD (constant USD / HUF rate)	1,178.0	1,177.2	997.4	1,097.2

*Source: Hungarian Central Statistical Office

**estimate

Hungary has tightened environmental performance standards due to European Union accession requirements, creating new opportunities for environmental technology and service providers. EU financial support for environmental infrastructure projects will spur growth in this sector in coming years, possibly as much as 15 percent annually.

In 2007, investment in the environmental sector was USD 932 million. According to Hungary's Central Statistical Office, wastewater treatment now accounts for 47percent of all environmental spending, waste treatment for 12 percent, air quality about 23 percent, soil and groundwater quality 8 percent, protection of landscape and nature for 6 percent, noise pollution 1 percent.

The environmental sector has about 2,000 firms, mostly SMEs and micro-sized companies, employing roughly 20,000 people. The Ministry of Environment expects employment to increase to 40,000-50,000 by 2010, although these estimates may be revised downward in the short term to reflect current macroeconomic trends and realities.

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U.S. firms are active in the Hungarian pollution control market, primarily in project management and consulting. Stiff competition exists in this sector from Hungarian, as well as German, French, Italian, Japanese and Scandinavian firms. The key pollution control project areas anticipated to receive both Hungarian Government and EU funds are:

- Waste management (prevention, re-use and recycling, and environmentally friendly treatment);
- Wastewater treatment;
- Protection of groundwater (main source of drinking water in Hungary);

- Improvement of drinking water quality (building out water treatment technology, switching to other water bases, switching to other water supply systems).

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

Selling to the public sector requires participation in public bids. The Government Procurement Agreement (GPA) allows U.S.-based firms to bid on certain EU contracts above established thresholds. U.S. firms legally established in a Member State of the EU are accountable as a European company. Those firms may bid on EU public procurement contracts advertised just as any other European firm. However, U.S. companies interested in the Hungarian market should strongly consider partnering with a local firm. The local partner will be able to provide information on local business practices, pertaining rules & regulations, the decision making process and provide technical assistance.

Resources

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Ministry of Environment and Water: www.kvvm.hu

Ministry of Environment and Water Development Directorate: www.fi.kvvm.hu

Central Directorate of Environment and Water: www.ovf.hu

Association of Environmental Service Providers and Manufacturers: www.kszgysz.hu

Hungarian Water Utility Association: www.maviz.org

National Association of Waste Management Companies: <http://hoe.internettudakozo.hu>

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

Commercial Specialist – Agnes Pandur: agnes.pandur@mail.doc.gov

Regional Shared Service Centers (GSV)

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Attracting FDI in Regional Shared Service Centers (RSSC) is a top priority of the Hungarian Government. For corporations investing upwards of €10 million to establish an RSSC in Hungary, the Government may grant customized incentive packages that include direct aid, development tax allowances, and training subsidies.

Roughly fifty RSSC are operating in Hungary, including:

- Accenture – business process outsourcing, accounting, finance
- Alcoa – financial services for all European Alcoa factories
- Convergys - HR, billing services
- EDS Hungary –accounting, finance, IT and data-processing, document management
- ExxonMobil – accounting, IT, marketing, CRM
- GE – financial services, call center
- Getronics – IT
- IBM – HR International Service Center, financial services
- Morgan Stanley – mortgage finance, IT, financial control
- SEI Information Technology – IT
- Sykes Central Europe – call center, business process outsourcing
- Cognizant – business process outsourcing, applications development

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The Government decides whether to extend the incentive packages based on the number of jobs created and on how far beyond the required five years the center commits to operate. To receive the tax allowance, which is applied for ten years at a rate up to 80 percent of corporate tax, requires a minimum investment of €12 million and the creation of 150 jobs (or minimum EUR 4 million and the creation of 75 jobs in less developed regions).

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Ministry of National Development and Economy: www.nfgm.gov.hu
Investment and Trade Development Agency: www.itd.hu

Commercial Specialist – Andrea Imrik: andrea.imrik@mail.doc.gov

Renewable Energy

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The EU “20-20-20” Goals include binding targets to raise the share of renewable energy to 20% by 2020. The target for Hungary is 13% of total energy production. Currently, Hungary has the lowest renewable energy share in gross electricity consumption among the EU countries, thus there is an urgent need for the development of this sector. The government has made long-term commitments to increase alternative energy use in the coming decades. In addition to environmental concerns, renewable energy also contributes to the security of supply by increasing the share of domestically produced energy and reducing dependence on fossil fuels.

Hungary still relies heavily on Russian oil and gas exports. Hungary imports 80 percent of its total oil consumption, and over 80 percent of this, 6.9 million tons/year, comes from Russia.

Hungary is also unique in the EU in that it uses more natural gas than oil. In 2006 renewable energy accounted for 4.6% of total electricity production and 4.9% of energy used for heating.*

Biomass: Biomass represents the largest source of renewable energy in Hungary, almost 90 percent. There are several units in operation in Hungary, most of them using biomass mixed with another fuel. Annually 110 million tons of raw material are produced and the strong agricultural background ensures sustainable production.

Biogas: The large-scale production of inputs provides excellent opportunities for development for bio-gas. Hungary plans to increase its biogas production four or fivefold in the next three to five years due to stricter EU regulations for agricultural waste handling. Since 2003, a number of biogas plants have been established in Hungary, with capacities ranging between 1.7 to 3.5 MW.

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

Solar Power: Relatively undeveloped. A small number of residences and community buildings, like hospitals, use roof-mounted solar panels to supplement heating units.

Wind Energy: The total capacity of wind energy is limited to 330 MW by the Hungarian Energy Office. Hungary does not have any pumped storage power plant and the 80% reserve capacity required by wind energy generation has to be provided by gas-fueled plants. There are currently 30 wind farms (71 towers) operating, producing about 127 MW.

Hydro Power: The capacity is 40MW from over twenty different power plants. Due to the geographical conditions, further large developments are unlikely. Small and micro sized plants are expected to be built.

Bio-fuel: Hungary has production capacity of around 180.000 tons of bio-fuel per year, mainly from two large facilities. Given the easy availability of raw materials, more than 30 manufacturing sites have been planned, but increasing crop prices combined with falling oil prices and the debate around the sustainability of bio-fuels, have slowed down developments.

In accordance with the EU directive, the Hungarian Government set the objective of achieving a bio-fuel proportion of 4% in the fuel market by 2010. Differentiated taxation came in force, whereby fuels containing bio-components enjoy a more favorable tax situation. The bio-ethanol content of petrol was raised from 4.4 to 4.8% in 2009 and will be further increased to 5.7% in 2010. E85 fuel (bio-fuel, which contains about 85% bio-ethanol and 15 % petrol) has also been introduced to the market: by the end of 2008 there were 39 E85 filling stations in Hungary.

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The Hungarian Renewable Energy Strategy forecasts growth mainly in biomass, wind and geothermal energy. The cost-effectiveness of renewable energy production is supported by competitive feed-in tariffs, guaranteed quotas and investment subsidies. In 2008, USD 380 million worth of incentives were paid for generating power using renewable resources. About 73 percent of the incentives went to combined-cycle power plants that send the heat created when generating electricity into district.

Opportunities

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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. The Hungarian Energy Office is expected to invite tender applications for new capacities in wind energy production in 2009.

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

**Source: Hungarian Wind Energy Association

***Source: www.E85kft.hu

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Greenenergy on-line: www.zoldtech.hu

Elmib Energy Efficiency e-News: www.elmib.hu

Hungarian Energy Office: www.eh.gov.hu

Hungarian Wind Energy Association: [/www.mszet.hu](http://www.mszet.hu)

Ministry of Transport, Telecommunication and Energy: www.khem.gov.hu/en

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

Union of Biomass Product Line: www.bitesz.hu

Commercial Specialist – Agnes Pandur: agnes.pandur@mail.doc.gov

Travel and Tourism Services and Investment (TRA)

Overview

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	2006	2007	2008 Jan-Sept
International arrivals (million)	38.3	39.4	30.9
International tourism arrivals (million)	9.2	8.6	6.8
Hungarians traveling abroad (million)	16.6	17.3	13.4
Tourism expenditure (US\$ million)	2,285.0	3,139.0	3,225.0
Tourism receipts (US\$ million)	4,613.0	5,064.0	4,743.0

Sources: Central Statistical Office and unofficial estimates.

Average exchange rate in 2008: US\$ 1 = HUF 171.80

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

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

Best Products/Services

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

- Construction of convention centers, primarily in cities with existing tourist attractions such as
- Eger, Pecs, Sopron, Debrecen and Szekesfehervar;
- Continued development in central Budapest, including hotels, a large (5000-person) convention center and office and retail space;
- Travel services. Some American travel and tourism companies currently operating in Hungary include American Express, American Airlines, Continental Airlines, Delta Airlines (which runs a nonstop flight between New York and

- Budapest), American International Group, Avis, Hertz and Budget Rent-a-Car, Worldspan, Marriott Hotel, and Best Western hotels;
- Golf courses and holiday villages, especially near existing tourism locations such as Lake Balaton.

The Hungarian Tourism Office hopes to increase foreign interest in areas outside Budapest such as the Danube Bend, the Great Plain, and historical cities like Szekesfehervar, Veszprem and Pecs. Opportunities in expanding services to tourists should increase.

Resources

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www.hungary.com Hungarian Tourism Rt.

www.tourinform.hu Tourist Information

www.turizmus.com Tourism Panorama

www.mth.gov.hu Ministry of Local Governments and Regional Development

www.ksh.hu Office of Statistics

Katalin Barazda, Commercial Specialist : katalin.barazda@mail.doc.gov

[Seed](#)[Soybean Meal](#)[Bovine Semen](#)[Poultry Breeding Stock](#)[Dried fruits and nuts](#)*Seed*

		1,000 METRIC TONS		
		2005	2006	2007
A	TOTAL MARKET SIZE	309	279	187
B	TOTAL LOCAL PRODUCTION	336	353	248
C	TOTAL EXPORTS	40	87	76
D	TOTAL IMPORTS	13	13	15
E	IMPORTS FROM THE U.S.	5	5	4

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

Soybean Meal

		1,000 METRIC TONS		
		2005	2006	2007
A	TOTAL MARKET SIZE	588	648	806
B	TOTAL LOCAL PRODUCTION	3	3	2
C	TOTAL EXPORTS	0	0	0
D	TOTAL IMPORTS	585	645	804
E	IMPORTS FROM THE U.S.	2	14	12

Soybean meal: Hungary is a large producer and exporter of livestock and products. Annual consumption of soybean meal is about 600-700 thousand metric tons. Hungarian importers have strong ties to South American soybean pellet exporters. However, the market is price sensitive; when American soybean meal is price competitive with South American pellets, Hungary will buy American.

Bovine Semen

		USD MILLION
--	--	-------------

	2005	2006	2007	
A	TOTAL MARKET SIZE	6.80	6.70	6.79
B	TOTAL LOCAL PRODUCTION	5.20	5.21	4.67
C	TOTAL EXPORTS	0.44	0.37	0.00
D	TOTAL IMPORTS	2.04	1.86	2.12
E	IMPORTS FROM THE U.S.	1.20	0.92	1.21

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.

Poultry Breeding Stock

	USD MILLION			
	2005	2006	2007	
A	TOTAL MARKET SIZE	53.20	48.77	42.40
B	TOTAL LOCAL PRODUCTION	65.14	54.28	63.81
C	TOTAL EXPORTS	20.05	13.17	25.62
D	TOTAL IMPORTS	8.11	7.66	4.21
E	IMPORTS FROM THE U.S.	2.49	2.40	1.60

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

Dried fruits & nuts (inc. Peanuts)

	USD MILLION			
	2005	2006	2007	
A	TOTAL MARKET SIZE	50.2	44.1	47.4
B	TOTAL LOCAL PRODUCTION	23.0	21.0	18.3
C	TOTAL EXPORTS	6.8	6.1	4.4
D	TOTAL IMPORTS	34.0	29.2	33.5
E	IMPORTS FROM THE U.S.	3.4	2.8	1.9

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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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 (CET or CXT) rates, resulting in an average tariff level of 3 percent. Customs procedures for goods destined for Hungary, with a first port of entry elsewhere in the EU, have changed significantly. 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 is currently 20 percent on most products and services, although the Hungarian government has proposed an increase for 2009.

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

Key Links:

<http://vam.gov.hu/welcomeEn.do>

http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/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/assets/Document_Library/Reports_Publications/2008/2008_NTE_Report/asset_upload_file991_14650.pdf

Information on agricultural trade barriers can be found at the following website:
<http://useu.usmission.gov/agri/>

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

Import Requirements and Documentation

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

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

Key Link:

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

Hungary, like many EU Member States, maintains its own list of goods subject to import licensing (armaments, radioactive materials, recyclable or harmful waste, parts or derivatives of endangered animal and plant species, devices used in surveillance, and military engineering defense technology, precious metals, etc.)

Link to the Hungarian Trade Licensing Office is: <http://www.mkeh.hu/English>

Import Documentation

Non-agricultural Documentation

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

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

Goods presented to customs are covered by a summary declaration, which is lodged once the goods have been presented to customs. The customs authorities may, however, allow a period for lodging the declaration, which cannot be extended beyond

the first working day following the day on which the goods are presented to customs. The summary declaration can be made on a form corresponding to the model prescribed by the customs authorities. However, the customs authorities may permit the use, as a summary declaration, of any commercial or official document that contains the particulars necessary for identification of the goods. It is encouraged that the summary declaration be made in computerized form.

The summary declaration is to be lodged by:

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

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

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

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

The Modernized Customs Code (MCC) of the European Union was passed into law in the first half of 2008. The MCC replaces the 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.

Batteries

EU battery rules changed in September 2006 following the publication of the Directive on batteries and accumulators and waste batteries and accumulators (Directive 2006/66). This Directive replaces the original Battery Directive of 1991 (Directive 91/157). The updated Directive applies to all batteries and accumulators put on the EU market including automotive, industrial and portable batteries. It aims to protect the environment by restricting the sale of batteries and accumulators that contain mercury or cadmium (with an exemption for emergency and alarm systems, medical equipment and cordless power tools) and by promoting a high level of collection and recycling. It places the responsibility on producers to finance the costs associated with the collection, treatment, and recycling of used batteries and accumulators. The Directive also includes provisions on the labeling of batteries and their removability from equipment. EU Member States must implement the EU Directive into their national law by September 26, 2008. For more information, see our market research report:
http://www.buyusainfo.net/docs/x_8086174.pdf

REACH

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

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

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

WEEE & RoHS

EU rules on waste electrical and electronic equipment (WEEE), while not requiring specific customs or import paperwork, may entail a financial obligation for U.S. exporters. They require U.S. exporters to register the products with a national WEEE authority, or arrange for this to be done by a local partner. Similarly, related rules for EEE restricting the use of the hazardous substances (RoHS) lead, cadmium, mercury, hexavalent chromium, PBBs, and PBDEs, do not entail customs or importation paperwork. However, U.S. exporters may be asked by a European RoHS enforcement authority or by a customer to provide evidence of due diligence in compliance with the substance bans on a case-by-case basis. Work is underway to revise the WEEE and RoHS Directives; some new rules could take effect as early as 2011. U.S. exporters seeking more information on WEEE and RoHS regulations should visit:

<http://www.buyusa.gov/europeanunion/weee.html>

Agricultural Documentation

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

Sanitary Certificates: For commodities composed of animal products or by-products, EU countries require that shipments be accompanied by a certificate issued by the competent authority of the exporting country. This applies regardless of whether the product is for human consumption, for pharmaceutical use, or strictly for non-human use (e.g., veterinary biologicals, animal feeds, fertilizers, research). Many of these

certificates are uniform throughout the EU, but the harmonization process has not been finalized yet. 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://useu.usmission.gov/agri/certificates-overview.html>.

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

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

For detailed information on import documentation for seafood, please contact the NOAA Fisheries office at the U.S. Mission to the EU or visit the following FDA dedicated web site: <http://www.cfsan.fda.gov/>.

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, U.S. firms should ensure that they do not make delivery commitments until an export license has been approved.

Key Links:

<http://www.bis.doc.gov/licensing/exportingbasics.htm>

http://www.pmdtc.org/licensing_procedures.htm

Temporary Entry

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Since Hungary joined the European Union on May 1, 2004, temporary entry of goods has been regulated by Council Regulations 2913/92 and 2454/93. For specifics on these regulations, please visit:

www.europa.eu.int/eur-lex/en/lif/reg/en_register_0220.html

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 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.

Labeling and Marking Requirements

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

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

Prohibited and Restricted Imports

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

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

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

Key Link:

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

Customs Regulations and Contact Information

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

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

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

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

Key Link:

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

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

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

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

Key Link:

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

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

The measures cover three major changes to the Customs Code:

- require traders to provide customs authorities with information on goods prior to import to or export from the European Union (see [Pre Arrival / Pre Departure Declarations](#));
- provide reliable traders with trade facilitation measures see [Authorized Economic Operator \(AEO\)](#);

- introduce a mechanism for setting uniform Community risk-selection criteria for controls, supported by computerized systems.

Key Link:

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

Contact Information at national customs authorities:

http://ec.europa.eu/taxation_customs/common/links/customs/index_en.htm

Link to Hungarian Customs Office:

<http://www.vam.hu/English>

Standards

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Overview

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EU REGULATIONS

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

European Union standards created under the New Approach are harmonized across the 27 EU Member States and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. For a list of new approach legislation, go to www.newapproach.org. This list shows that not all products are covered by EU legislation calling for CE marking.

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

Agricultural Standards

The establishment of harmonized EU rules and standards in the food sector has been ongoing for several decades, but it took until January 2002 for the publication of a

general food law establishing the general principles of EU food law. This Regulation introduced mandatory traceability throughout the feed and food chain as of Jan 1, 2005. For specific information on agricultural standards, please refer to the Foreign Agricultural Service's website at: <http://useu.usmission.gov/agri/>.

Standards Organizations

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

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

- CENELEC, European Committee for Electrotechnical Standardization (<http://www.cenelec.org/Cenelec/Homepage.htm>)
- ETSI, European Telecommunications Standards Institute (<http://www.etsi.org/>)
- CEN, European Committee for Standardization, handling all other standards (<http://www.cen.eu/cenorm/homepage.htm>)

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

Mandates can be checked on line at:

http://ec.europa.eu/enterprise/standards_policy/mandates/.

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

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

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

Key Link:

<http://www.cenorm.be/cenorm/workarea/sectorfora/index.asp>.

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: <https://tsapps.nist.gov/notifyus/data/index/index.cfm>

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<http://www.nist.gov/notifyus/>

Conformity Assessment

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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 of the production process to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. You can find conformity assessment bodies in individual Member State country in this list by the European Commission.

Key Link:

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

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

Product Certification

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

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

The CE marking addresses itself primarily to the national control authorities of the Member States, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by Member State inspectors, the consumer may well perceive it as a quality mark.

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

Accreditation

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Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under U.S.-EU Mutual Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EU specifications, and vice versa. The costs are significantly lower which results in U.S. products becoming more competitive. At this time, the U.S.-EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (on hold), recreational craft (in force) and marine equipment

(in force). The U.S. Department of Commerce, National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating under a mutual recognition agreement.

Key Link: <http://ts.nist.gov/standards/conformity/>

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

Publication of Technical Regulations

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

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT) Agreement to report to the WTO all proposed technical regulations that could affect trade with other member countries. Notify U.S. is a free, web based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical Regulations that can affect your access to international markets.

Register online at Internet URL:
<http://tsapps.nist.gov/notifyus/data/index/index.cfm>

Labeling and Marking

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

Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable until end of December 2009. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the right of Member States to require the use of language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council

Directive 2007/45/EC, to replace 80/232/EC in April 2009, harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

Key Link:

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

The Eco-label:

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

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

Key Links:

http://buyusainfo.net/docs/x_4284752.pdf

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

<http://www.eco-label.com/default.htm>

Link to the Hungarian Standards Office: http://www.mszt.hu/angol/index_eng.htm

Link to the Hungarian Accreditation Board: <http://www.nat.hu/English>

Links to Major Notified Bodies can be found at the end of Chapter 5: in Web Resources

Trade Agreements

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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

Web Resources

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Link to Hungarian Customs Office:

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

Link to the Hungarian Standards Office: http://www.mszt.hu/angol/index_eng.htm

Link to the Hungarian Accreditation Board: <http://www.nat.hu/>

Major Notified Bodies (testing, certification, CE mark) :

KERMI - TUV Sud KERMI <http://www.kermi.hu>

MEEI – TUV Rheinland MEEI http://www.tuv.com/meei/en/products_and_services.html

National Institute of Food Hygiene and Nutrition (OETI)

http://efrira1.antsz.hu/portal/page?_pageid=240,245459&_dad=portal&_schema=PORTAL

ORKI Institute for Medical Engineering

Website: <http://www.orki.hu>

EU websites:

Online customs tariff database (TARIC):

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

The Modernized Community Customs Code MCCC):

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

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

Taxation and Customs Union:

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

Regulation (EC) 648/2005:

Security and Safety Amendment to the Customs Code

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

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

Legislation related to the Electronic Customs Initiative:

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

International Level: [Customs value](#)

What is Customs Valuation?

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

Customs and Security:

Two communications and a proposal for amending the Community Customs Code

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

Establishing the Community Customs Code:

Regulation (EC) n° 648/2005 of 13 April 2005

Pre Arrival/Pre Departure Declarations: [Pre Arrival / Pre Departure Declarations](#)

AEO: [Authorized Economic Operator](#)

Contact Information at National Customs Authorities:

http://ec.europa.eu/taxation_customs/common/links/customs/index_en.htm

New Approach Legislation: www.newapproach.org

Cenelec, European Committee for Electrotechnical Standardization:

<http://www.cenelec.org/Cenelec/Homepage.htm>

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

CEN, European Committee for Standardization, handling all other standards:

<http://www.cen.eu/cenorm/homepage.htm>

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

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

CEN – Sector For a: <http://www.cenorm.be/cenorm/workarea/sectorfora/index.asp>

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

<http://ec.europa.eu/enterprise/newapproach/nando/>
Mutual Recognition Agreements (MRAs):
<http://ts.nist.gov/Standards/Global/mra.cfm>
European Co-operation for Accreditation:
http://www.european-accreditation.org/default_flash.htm
Eur-Lex – Access to European Union Law:
<http://europa.eu.int/eur-lex/lex/JOIndex.do?ihmlang=en>
Standards Reference Numbers linked to Legislation:
<http://ec.europa.eu/enterprise/newapproach/standardization/harmstds/whatsnew.html>
National technical Regulations: <http://ec.europa.eu/comm/enterprise/tris/>
NIST - Notify us: <http://tsapps.nist.gov/notifyus/data/index/index.cfm>
Metrology, Pre-Packaging – Pack Size:
http://ec.europa.eu/enterprise/prepack/packsizes/packsiz_en.htm
European Union Eco-label Homepage:
http://ec.europa.eu/comm/environment/ecolabel/index_en.htm
Eco-Label Catalogue: <http://www.eco-label.com/default.htm>

U.S. websites:

National Trade Estimate Report on Foreign Trade Barriers:
http://www.ustr.gov/assets/Document_Library/Reports_Publications/2008/2008_NTE_Report/asset_upload_file991_14650.pdf
Agricultural Trade Barriers: <http://useu.usmission.gov/agri/>
Trade Compliance Center: <http://www.trade.gov/tcc>
U.S. Mission to the European Union: <http://www.buyusa.gov/europeanunion>
The New EU Battery Directive: http://www.buyusainfo.net/docs/x_8086174.pdf
The Latest on REACH: <http://www.buyusa.gov/europeanunion/reach.html>.
WEEE and RoHS in the EU: <http://www.buyusa.gov/europeanunion/weee.html>
Overview of EU Certificates:
<http://useu.usmission.gov/agri/certificates-overview.html>
Center for Food Safety and Applied Nutrition: <http://www.cfsan.fda.gov/>
EU Marking, Labeling and Packaging – An Overview
http://www.buyusainfo.net/docs/x_4171929.pdf.
The European Union Eco-Label: http://buyusainfo.net/docs/x_4284752.pdf
Trade Agreements: http://tcc.export.gov/Trade_Agreements/index.asp

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Openness to Foreign Investment

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Hungary maintains an open economy and attracting foreign investment remains a priority for the Hungarian government. American companies have invested more than \$9 billion in Hungary since 1989. There are approximately 800 wholly U.S. owned companies in Hungary – with representatives of many of the Fortune 500 firms.

Recent Financial Market Turmoil

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

As external financing conditions worsened, in October and November 2008 international credit rating agencies downgraded Hungary's long-term foreign currency credit rating. According to one credit rating agency, "recent international credit market dislocations, and more importantly, the prospects for a prolonged phase of heightened risk aversion and de-leveraging, will considerably complicate the task of policy-makers and will impose very severe macro-economic and financial adjustment. Since the onset of the

global liquidity crisis, the country's access to external market-based funding has been much more constrained than previously.”

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

The Hungarian government agreed to undertake a number of financial stability measures, and under the terms of the IMF Stand-By Agreement, has agreed to accelerate fiscal consolidation efforts in order to further reduce the 2009 budget deficit to 2.6 percent. As a result of lower domestic consumption and reduced demand for Hungarian exports, however, output is expected to contract in 2009. Greater-than-expected economic slowing in important Western European export destinations caused analysts to project recently that the Hungarian economy may contract as much as 3 percent in 2009. The IMF estimates that growth is not expected to reach its estimated potential of 3 percent until 2011.

Economists and businesses say that additional reform is urgently needed to help Hungary remain competitive in the region, and to enable Hungary to meet its economic growth potential. These reforms include reducing the tax burden on labor, shrinking the size of the informal economy, and undertaking reforms to help reduce Hungary's high redistribution rate, including reforms in the healthcare and education sectors, as well as the pension and social assistance systems.

The global financial crisis is also having an effect on the real economy in Hungary, as decreasing exports and lower domestic consumption, coupled with the unavailability of credit, are adversely impacting businesses in Hungary. A number of companies have announced layoffs and temporary production stoppages. 2008 unemployment is expected to be approximately 7.9 percent, and some analysts predict the unemployment rate for 2009 to be approximately 9.5 percent.

Framework for Foreign Investment

Since 1989, Hungary has undergone a dramatic transformation from a centrally planned economy to an open, pro-business economy. In 2004 it became a member of the European Union. The Hungarian Constitution guarantees private ownership, right of enterprise, and freedom of competition. The government engages in reasonably transparent regulation. The government is planning to complete the deregulation of Hungary's gas and power markets in 2009 and gradually phase out price subsidies, except to those with a demonstrable need. On-going liberalization has been extensive. As a result, the private sector produces about 80% of Hungary's output. Financial markets are highly developed and smoothly operating, and reflect a level of sophistication indicative of an early reformer in the region.

The Ministry of Economic Affairs established the Hungarian Investment and Trade Development Agency (ITDH) in 1993, and this agency continues to help companies looking to make major investments in the country. ITDH has set up a “one-stop-shop” service for potential large investors to maintain a competitive environment and attract

multinational companies. The government has a National Development Program II (NDPII) for channeling EU development funds and the Smart Hungary investment incentive program, aimed at facilitating investments in key areas for development, especially in the less developed regions.

The government has reinvigorated its Investors' Council that was originally established in 1998 and practically dormant in the intervening years. Co-chaired by the Minister of Economy and a leading private sector business executive, it is made up of the largest investors, including foreign investors, economists, NGO's, and business chambers. In announcing its reactivation, the government asserted that it intends to take seriously their suggestions and proposals. Many view this measure as an attempt to stem Hungary's diminishing competitiveness and dimming attractiveness to foreign investors. A growing lack of predictability in raising taxes and a sense that the GOH does not particularly value the needs of foreign investors regarding transparency and predictability are two of the top issues affecting Hungary's ability to attract new investment.

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

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

Commercial law in Hungary is relatively 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. The Embassy notes with concern that one large American investor has an on-going court case for five years. The need for timely judicial due process is critical for foreign investors.

Up to 100 percent foreign ownership is permitted with the exception of designated "strategic" holdings in some defense-related industries. The current government's renewed privatization concept is opening some of the strategic holdings to private participation. Foreigners investing in financial institutions and insurance 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 2/3 of manufacturing, 90% of telecommunications and 60% of the energy sector. The Hungarian Privatization and State Holding Company (APV) manages and privatizes state-owned properties, with Ministry of Finance approval for the banking sector. Apart

from its tax policy, Hungary aggressively seeks foreign investment, encouraging investors both to purchase privatized firms and to implement "greenfield" investment, giving them full rein to manage the companies.

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

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

Conversion and Transfer Policies

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The Hungarian forint (HUF) has been convertible for essentially all business transactions since January 1, 1996. As a legal obligation of its EU membership, Hungary must eventually adopt the euro. Hungary complies with IMF Article VIII and all OECD convertibility requirements. Act XCIII of 2001 on Foreign Exchange Liberalization lifted all remaining foreign exchange restrictions and allowed free movement of capital in line with EU regulations. Foreign currencies are freely available in all banks and exchange booths. In 2001, Hungary adopted an exchange rate intervention band of +/- 15 percent around a benchmark rate against the Euro. In order to allow the Hungarian National Bank (MNB) to exclusively focus on its inflation target of 3 percent, in February 2008 the MNB adopted a free-floating exchange rate regime. Since that date market forces determine the HUF exchange rate to the Euro and other currencies. Although Hungary's most recent updates to its 2006 Convergence Program does not set a target date for adapting the Euro, it defines the roadmap to meet the Maastricht criteria, a condition to joining ERMII. Currently the biggest obstacles include Hungary's large public debt and a central bank interest rate well above that of the Euro zone. The budget deficit and rate of inflation show a declining trend. Analysts expect Hungary to adopt the Euro in 2013-2014.

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

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

Expropriation and Compensation

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A 1990 Constitutional amendment provides full range protection against expropriation, nationalization, and any arbitrary action by the government except in cases of acute national concern. In such cases, immediate and full compensation is provided to the owner. There are no known cases where the Hungarian government has discriminated against U.S. investments, companies or representatives in expropriation, nor any policy shifts that would likely lead to cases in the near future.

Following the change of regime in 1990, the Government of Hungary enacted a compensation program for persons who lost property under both the fascist and communist regimes. Hungarian and foreign citizens were eligible to receive compensation coupons that could be sold or exchanged for privatized shares of government companies, real estate, or annuities. The Hungarian government intends to conclude the program by exchanging the 7-9 billion HUF worth of coupons still on the market (out of a total of HUF 140 billion) for shares in the Forrás Investment Fund. Coupons can also be sold on the Budapest Stock Exchange.

In April 1997, Parliament also passed a Jewish Compensation Act to return property stolen from Jewish victims of Nazism and Communism. Monetary compensation and some property were turned over to the Jewish Public Heritage Foundation and to Jewish victims of the Holocaust. To receive compensation, individuals must make claims before the act expires in 2011.

Dispute Settlement

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Performance Requirements and Incentives

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Performance requirement/incentives are available to all enterprises registered in Hungary, regardless of the nationality of owners or location of incorporation, and applied on a systematic basis. To comply with European Union rules, the government of Hungary no longer grants tax holidays based on investment volume. Companies previously granted this incentive can still receive cumulative tax benefits up to 75% of the total investment volume for investments started before January 1, 2000 and 50% for subsequent investment until 2005.

Eligibility for incentives is regulated by GOH Decree 163/2001, as amended by 241/2002, in accordance with EU regulations. Incentives can be received by tendering procedures for: (1) R+D, 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).

Smart Hungary is the government's primary investment incentive program designed to induce companies already established in Hungary to: continue operations; foster profit reinvestment; accelerate the growth of manufacturing investments and increase the ratio of strategic services; promote Hungary's regional role; strengthen the capital-attracting potential of underdeveloped regions; and drive the utilization of R&D and innovation skills in the entrepreneurial sector. Smart Hungary is compliant with EU regulations on competition and state aid and is managed by the Ministry of Economy and Transport.

Parliament enacted a new National Development Plan for 2007-2013. In the Framework of the New Hungary Development Plan (NHDP), Hungary will receive around 7,000 billion HUF (22,4 billion euros) from the EU. This will be complemented by the national public contribution amounting to 15% of the total available funding. Thus the Hungarian government will add to this amount around 1,000 billion HUF. Projects using EU structural and cohesion funds will be subject to a series of requirements, including a portion of own-source financing. As these programs become implemented, the inflow of EU funds will create numerous opportunities for investment. In an attempt to ease the effects of the global financial crisis, the GOH initiated an economic stimulus package worth 1,400 billion HUF for businesses, including SMEs, that have been particularly affected by the unavailability of credit. In the current climate, loans have been hard to obtain even for SMEs with good credit histories, and expiring loans have been hard to renew. The package includes a HUF 377 billion liquidity package (micro loans, SME loans, Hungarian Development Bank loans), a credit guarantee of HUF 76 billion, as well as interest and venture capital subsidies from the New Hungary Development Program and the New Hungary Rural Development Program. The division of EU Resources for the Sectoral Operative programs is as follows (2007-2013):

Sectoral Operative Programs	Billion HUF
Economic development	674,03
Transport	1721,47
Social Renewal	933,29
Social infrastructure	538,95
State Reform	40,61

Electronic Public Administration	99,49
Environment, Energy	1053,56
Implementation	94,88
National Performance Reserve	98,38
Regional Operative Programs	1620,59
NHDP total	6875,25

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

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

Several business groups, including the American Chamber of Commerce, have called upon Hungarian authorities to do more to encourage foreign investments. Current government reforms focus on immediate reduction of the budget deficit, down from nearly 10% in 2006 to 3.3% in 2008. This requires short-term increases in revenues, affecting both the population and businesses, as well as structural measures reducing welfare expenditures. As a result of further budget tightening, the government expects the budget deficit to fall below 3% by 2009, thereby meeting the Maastricht criteria. In its austerity program, the government did not adopt tax reduction and reform proposals advocated by business groups as a means to increase Hungary’s competitiveness.

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 of private entities to freely establish, acquire and dispose of interests in business enterprises. Many foreign companies operate through representative offices.

The Foreign Investment Act of 1988 grants full protection to the investments and businesses of non-Hungarian resident investors. The Act guarantees that investors will be treated in the same manner as national investors, and contains a repatriation

guarantee under which foreign investors are free to remit profits and investment capital to their home country in the event of partial or complete termination of their enterprise.

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

Protection of Property Rights

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

Intellectual Property Rights: Although the government has taken steps in recent years to strengthen protection of intellectual property rights, further improvement is needed. On January 1, 2003, Hungary acceded to the European Patent Convention and has amended the Hungarian Patent Act in accordance. It is a party to the WTO TRIPS agreement and most other major international IPR agreements, including the most recent WIPO copyright Treaty and the WIPO Performance and Phonograms Treaty. It is also a party to the EU Information Society Directive, and implemented the EU Enforcement Directive in 2005.

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

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

Patent protection in Hungary covers the use, sale, offering for sale, and import of a patented product or products made using a patented process. The definition of infringement has been extended to include "supplying the means." A person who sells or offers to sell the means of producing a patented product is liable if that person is proven

to have known that the means could be used for infringement. An example is the sale of decoder boxes that would allow the user to pirate a cable signal.

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

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

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

In January 2008, the GOH established a National Board Against Counterfeiting and Piracy, led by a government commissioner, the Hungarian Patent Office (HPO) and the Ministry of Justice (MOJ), with participation from other government agencies, various chambers, industry associations and NGOs. The Board established a strategy until the end of 2010, which was approved by the government in October 2008. Hungary remains on the Special 301 Watch list until further improvements are made to ensure prosecutors follow through with cases against IP infringers, and that 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 growing problem.

Transparency of Regulatory System

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

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

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

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

Efficient Capital Markets and Portfolio Investment

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

such as small business loans. Markets for direct finance are thin. Volumes on the stock exchange declined and the BUX plummeted to just above 12 thousand, about 50% of the previous average index. The government securities market was also affected by the deleveraging associated with the global financial crisis, causing the Debt Management Authority to postpone regular auctions at least through the first quarter of 2009.

Hungary still has an impressively modern financial sector. In April 2000, the responsibilities of the Bank Supervisory Board were merged with the state insurance and pension supervisory agencies to form the Hungarian Financial Supervisory Authority (PSZAF). This body is a consolidated financial supervisor regulating all financial and securities markets. The PSZAF is independent, self-financing and well staffed, but lacks the ability to issue new regulations that carry legal force. In order to increase its ability to better foresee possible problems in the financial sector in 2009 the GOH is planning to increase the PSZAF's authority.

Price Regulation and Liberalization

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

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

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

Banking Sector

The two-tier banking sector was established in 1987 when commercial banking functions were separated from the National Bank. Since then, the banking system has undergone significant development and is now comparable to that in western economies.

According to the current National Bank Law, the primary objective of the national bank is to achieve and maintain price stability. The benchmark is set monthly by the Monetary Council and is currently set at 10.0%, but if the Council continues its current trend to roll-back its October emergency 300 basis point increase, some analysts predict it dropping

to as low as 7 percent by the end of the 2009. On May 1, 2001, the Central Bank and the Finance Ministry decided to float the exchange rate within a band of +/- 15%. As of February 2008 they jointly decided to introduce a fully free-float regime which enables the Central Bank to follow an exclusively inflation targeting monetary policy.

Following 2004 privatization, over two-thirds of the Hungarian banking sector is foreign owned. It is a very competitive sector with outstanding profitability, although the Hungarian Banking Association reports a significant decrease in profits is likely in 2008 and 2009. Capitalization is 10.87%, over 0.5% higher than the EU average. In the first half of 2008, the return on assets (ROA) was 2.29% and the return on equity (ROE) was 1.18% (compared to an 8.3% ROE in the EU-15). In September 2007, the share of non-performing loans was low at only 1.6% percent of total assets. Hungary's financial regulations meet EU standards. Cross border services were enabled even before accession to the EU in May 2004. According to the Financial Supervisory Authority, about 43 credit institutions gave notification of their intent to enter into cross-border activity. The PSZAF and the Banker's Association are actively facilitating preparations for Basel II regulations.

Concentration in the banking sector is very high with about 84% of total assets concentrated in the ten largest banks. Their market share amounts to 85%. The eight largest banks in Hungary in 2008 include:

Bank
OTP Bank Nyrt.
CIB Közép-Európai Nemzetközi Bank Zrt.
MKB Bank Zrt.
RAIFFEISEN BANK Zrt.
Kereskedelmi és Hitelbank Zrt.
ERSTE BANK HUNGARY Zrt.
UniCredit Bank Hungary Zrt.
BUDAPEST Hitel-és Fejlesztési Bank Nyrt.

Foreigners do not need government approval to establish bank subsidiaries or to establish more than a 10% stake in existing banks. Foreign or Hungarian credit institutions, insurance institutions, and investment companies may own up to 100% of a financial institution in Hungary. However, the upper limit for a single owner (foreign or Hungarian) not falling into one of the above categories is 15%, stricter than EU norms. Since January 1998, foreign banks can establish branches in Hungary offering cross-border financial services.

Foreign-owned subsidiaries often have a competitive edge over Hungarian banks in customer service, although Hungarian banks have recently developed and promoted retail instruments to service their clients. Hungary's retail sector is still largely a cash-based economy. The use of checks was never widespread. Credit and debit card use and internet and Tele-banking is becoming more and more common. Many institutions conduct network banking through the Giro credit transfer system.

Although banks in Hungary entered the current period of market stress with strong solvency positions, liquidity pressures have emerged. In addition, the large number of Euro, Swiss Franc, and Japanese Yen denominated loans made to households in recent years have increased balance sheet risks for banks as the Hungarian Forint has weakened against these currencies in recent months. In its Letter of Intent to the International Monetary Fund as part of the financial stabilization package, the Government of Hungary announced a banking sector support package consisting of two funds – a Capital Base Enhancement Fund to help raise banks' capital adequacy ratio and a Refinancing Guarantee Fund to guarantee the rollover of loans and wholesale debt securities to help promote interbank lending.

Portfolio Investment

The 1996 Offering of Securities, Investment Services and the 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 30 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 2008 amounted to HUF 15276.5 billion, of which shares amount to HUF 3553.7 billion. Average daily turnover was 21.7 billion HUF, which is 39% lower than in 2007. BSE after tax profit amounted to HUF 2.16 billion, 16% higher than in 2007. In November 2005, the BSE integrated the Commodity Exchange, creating a commodities section. In December 2008 the BSE listed 44 equity issuers, 6 bond issuers, 3 mortgage bond issuers, 16 investment funds, and one Government bond and T-bill issuer. 66% of capitalization is concentrated in four companies (MOL, OTP, MagyarTelecom and Richter).

Political Violence

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Despite frequent protests over the past two years, political violence has not been a characteristic of the political landscape in Hungary. The transition from communism to democracy was negotiated and peaceful, and four peaceful changes of government via the ballot box have followed. There is little cause to expect insurrections, political terrorism, or interstate war. The Kosovo conflict, which began only days after Hungary's membership in NATO, did not result in any conflict within Hungarian territory despite its front-line status. There has been no violence directed against foreign-owned companies, although economic uncertainty has the potential to compound partisan divisions and to contribute to political extremism.

Corruption

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The Hungarian Ministry of Justice is responsible for combating corruption. There is a growing legal framework in place to support its efforts. Hungary is a party to the OECD Anti-Bribery Convention and has incorporated its provisions into the penal code, as well as subsequent OECD and EU requirements on the prevention of bribery. Hungary adopted a national strategy on combating corruption and passed two modifications of the Criminal Code in 2001 (Act CXXI and CIV). Parliament also passed the Strasbourg

Criminal Law Convention on Corruption (Law XLIX of 2002) and the Strasbourg Civil Code Convention on Corruption (Law L of 2004). Hungary is a member of GRECO (Group of States against Corruption), an organization established by members of the Council of Europe to monitor the observance of their standards for fighting corruption. Transparency International is active in Hungary and its 2008 Corruption Perceptions Index rates Hungary 47th out of 102 countries (1st being best), more favorably than most other countries in the region, but worse than Hungary's 2004 ranking of 34th.

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

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

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

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

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

Taxation

Hungary has relatively high individual income tax levels, with a maximum marginal tax bracket of 36 percent that applies to all income above 1.7 million forints, and an additional 4% to income exceeding 7.1 million forints. Corporate tax, at 16%, is low compared to most European countries; however businesses must also pay a 4% so-called "solidarity tax". Foreign investors are also faced with relatively high personnel, local, and other indirect taxes, such as a value added tax (VAT) of 20%, pension and health care contributions. Tax rules allow 50% of the turnover-based 2% local tax payments to be deducted from the corporate tax. Despite the government's pledge to gradually eliminate this type of tax, the high budget deficit in 2006 did not allow for easing of any type of taxation. New tax types were introduced in 2007, including an environmental tax and a vehicle registration tax, a compulsory minimum tax based on 10% of the turnover, with a rate of 2%, with lower rates available but the business has the burden of proof to demonstrate they owe less, and frequently would face a strict audit by tax authorities. In 2008, the government passed an 8 percent "Robin Hood tax" on profits of certain energy suppliers and trading companies. As several newly acceded EU members decreased both their corporate and personal income tax rates and/or switched to a one-tier tax system, Hungary faces strict competition in the region. Additionally, businesses sometimes complain that they are targeted for lengthy audits and competition investigations. Tax changes in the government reform program had the effect of abrogating certain preferential tax agreements for foreign investors. This has created a concern about the predictability of Hungarian tax policy. In addition, businesses continue to urge the government to undertake tax reform to reduce the tax burden on labor.

OPIC and Other Investment Insurance Programs

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The U.S. Overseas Private Investment Corporation (OPIC) has operated in Hungary since October 1989, offering U.S. investors insurance against political risk, expropriation of assets, damages due to political violence, and currency inconvertibility as well as certain specialized insurance products. Political risk insurance is available for foreign-owned companies in Hungary from several private carriers and from the Multilateral Investment Guarantee Agency (MIGA). However, demand for such products has been limited given Hungary's general political stability.

OPIIC is now focusing on financing small businesses, in which commercial banks would not be interested. These are financing projects with a 5-10 year horizon, in amounts varying from as little as \$100,000 to \$1 million.

Labor

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

Hungary's unemployment rate of 7.7% is substantially below both the European Union average and the unemployment rates in neighboring countries. The labor participation rate is still relatively low by European standards at around 56%. The northwest region of the country sometimes sees shortages of skilled workers, particularly in the financial and marketing sectors, but east of the Danube unemployment levels are above average, though the labor force is cheaper and comparably skilled. The government is now turning its focus to help education adapt better to labor market requirements and is encouraging cooperation between higher education institutions and the business arena. Wages in Hungary are significantly lower than those of Western Europe. Average Hungarian labor productivity is lower than the EU average, but greater than that of other Central and Eastern European economies. Employers now pay 23% social security contributions on top of wages. However, the base of payment is now double the minimum wage, unless the employer reports that an employee earns less than that.

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

Roles of Government and Trade Unions

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

The Hungarian labor code guarantees the right to join trade unions and gives unions the right to operate inside a company. Unions are entitled to negotiate collective bargaining agreements. The current monthly minimum wage is HUF 71,500. The labor code limits the length of the workday plus overtime to 12 hours; guarantees maternity leave; provides for at least 20 days of annual leave; mandates at least 30 days notice prior to

severance and requires severance pay for those employed at least three years. The law forbids discrimination based on gender, age or nationality. The minimum employment age is 16 years, though apprenticeships may begin at age 15. Hungary adheres to ILO conventions protecting worker rights. Labor/management relations are better than in much of Europe. As a result of the current economic situation, labor-related strikes are occurring with increasing frequency.

Foreign-Trade Zones/Free Ports

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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 Finance Ministry plans to nominate customs free zones, but currently there seems to be little demand for this service. Possible sites could include Székesfehérvár, Győr, Kecskemét, Miskolc, or Szombathely.

Foreign Direct Investment Statistics

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According to the National Bank of Hungary, foreign direct investment between 1990 and the third quarter of 2008 amounted to 68.1 billion euros (which includes shares, other participation, and reinvested incomes valued at 62.9 billion euros and other capital movements at 5.2 billion euros). Foreign direct investment has been declining over the last few years. In 2006 FDI amounted to 5.7 billion euros, the second largest amount after a record of 6.2 billion in 2005. In 2007, however, net FDI declined to 4.4 billion euros. In the first three quarters of 2008 it amounted to only 2.3 billion euros. Leading foreign investors include Germany, Austria, the Netherlands and the United States. 35.7% of cumulative FDI in Hungary is in manufacturing, 15.5% in trade and retail, 14.6% in services, and 10.1% in financial activity. Hungary has a reasonably significant level of foreign investment abroad, primarily through acquisitions in other Central and Eastern European countries. By the third quarter of 2008, total Hungarian investment abroad amounted to 11.6 billion euros. The majority of this is directed to services and crude oil processing.

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

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

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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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, when the last legal restrictions were lifted.

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

A banking account is required to register a company in Hungary. Wire transfer is used for most payments; new customers are sometimes required to pay in advance. A letter of credit is often used for more significant transactions. Credit cards can also be used.

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

Dun & Bradstreet: <http://dbhungary.dnb.com/English/default.htm>

Intrum Justitia: www.intrum.hu

Creditexpress: www.creditexpress.hu

Sigma Collection: <http://www.sigma.hu/html/sigmaen/index.php>

Coface Intercredit: <http://www.cofaceintercredit.hu/index2.html>

Euler Hermes: <http://www.eulerhermes.com/en/>

How Does the Banking System Operate

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The State Authority for Financial Institutions oversees the banking system, as well as the capital, insurance and pension fund markets. Oversight meets EU and international norms. The National Bank of Hungary (MNB) exercises considerable influence on the banking sector and monetary policy. The MNB has ended most of its commercial functions and relies primarily on controlling the size of mandatory reserves and the base rate to influence the country's economy.

Hungary's legislation allows for "universal banking," entitling appropriately licensed banks to provide a full range of securities transactions, including trade in stocks and publicly placed corporate bonds.

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

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

Link to the Hungarian Authority for Financial Institutions: <http://www.pszaf.hu/en/>

Link to the National Bank of Hungary: <http://english.mnb.hu/Engine.aspx>

Foreign-Exchange Controls

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The Hungarian Forint has been fully convertible for all transactions since 2001, a final step in a decade-long liberalization process. A government decree lifted all remaining foreign exchange restrictions and allowed free movement of capital, in line with EU regulations. Businesses and private individuals have free access to foreign exchange.

U.S. Banks and Local Correspondent Banks

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

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

Citibank ZRt
Mr. László M. Balássy, CEO
Szabadsag ter 7, H-1051 Budapest
Tel: (36 1) 374-5000, Fax: (36 1) 374-5100
Web Address: http://www.citibank.hu/hungary/homepage/index_e.htm

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

National Savings & Commercial Bank - OTP Bank
(floated on the Budapest Stock Exchange)
Dr. Sandor Csanyi, Chairman and CEO
Nador u 16, H-1051 Budapest
Tel: (36 1) 473-5000, Fax: (36 1) 473-5955

Web Address: https://www.otpbank.hu/OTP_Portal/online/index_e.jsp
E-mail: information@otpbank.hu

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

Hungarian Foreign Trade Bank ZRt (MKB)
(majority owned by Bayerische Landesbank, Germany)
Mr. Ferenc Munkácsy, CEO
Vaci utca 38, H-1056 Budapest
Tel: (36 1) 327-8600, Fax: (36 1) 327-8700
Web Address: <http://www.mkb.hu/index.html?useLang=en>
E-mail: mkb@mkb.hu

Central-European International Bank ZRt (CIB)
(fully owned by Intesa Holding, Int'l, Italy)
Dr. Gyorgy Suranyi, Chairman
Dr. Laszlo Torok, CEO
Medve utca 4-14, H-1027 Budapest
Tel: (36 1) 457-6800, Fax: (36 1) 489-6500
Web Address: <http://www.cib.hu/index?defaultLanguage=english>
E-mail: cib@cib.hu

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

Project Financing

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Project finance through corporate bond issues is almost nonexistent in Hungary, as a market hardly exists. To date, only blue-chip companies and local subsidiaries of multinationals have issued corporate bonds in Hungary.

The Export-Import Bank of the United States and the U.S. Overseas Private Investment Corporation currently offer financing, insurance, and loan guarantees in the Hungarian market. A few multilateral development banks and other international financial institutions operate in Hungary.

Tendering for European public procurement contracts

The European Union provides project financing through grants from the European Commission and loans from the European Investment Bank. Grants from the Structural and the Cohesion Funds are distributed through the member states' national and regional authorities and are only available for projects in the 27 EU Member States. Tenders for these EU-funded projects in Hungary face no nationality requirement

(although partnership with a local entity is required). This presents opportunities for U.S. firms.

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

The CSEU Tenders Database

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

Readers may access the database at:

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

EU Structural Funds

The EU Structural Funds, including the European Regional Development Fund, were created in 1975 to assist economically depressed regions of the European Union that required industrial restructuring. The EU earmarked EUR 308 billion for projects under the Structural Funds and the Cohesion Fund programs for the 2007-2013 period for the EU-27. In addition to funding economic development projects proposed by Member States or local authorities, EU Structural Funds also support specialized projects promoting EU socioeconomic objectives. Member States negotiate regional and "sectoral" programs with officials from the regional policy Directorate-General at the European Commission.

For information on approved programs that will result in future project proposals, please visit: http://ec.europa.eu/regional_policy/atlas2007/fiche_index_en.htm.

The Cohesion Fund

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

Key Link:

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

The Trans-European Networks

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

Key Link:

http://ec.europa.eu/ten/transport/index_en.htm.

Other EU Grants for Member States

Another set of sector-specific grants offers assistance to EU Member States in the fields of science, technology, communications, energy, environmental protection, education, training and research. Tenders related to these grants are posted on the various websites of the directorates-generals of the European Commission. Conditions for participation are strict and participation is usually restricted to EU firms or tied to EU content.

Information pertaining to each of these programs can be found on:

http://europa.eu.int/grants/index_en.htm

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

Key Link:

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

Web Resources

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

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

OPIC: <http://www.opic.gov>

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

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

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccs/default.htm>

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

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Chapter 8: Business Travel

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Business Customs

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

Travel Advisory

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The State Department issues no travel advisories for Hungary, which is generally a safe and healthy country, although visitors are advised to guard personal belongings and automobiles.

Additional information on travel and living in Hungary can be viewed on the following websites:

http://travel.state.gov/travel/travel_1744.html

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1137.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.

According to the Expat Relocation Center, any company in Hungary (even if foreign-owned) employing foreigners must apply for work permits for these employees, a

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

State Department Visa Website: <http://travel.state.gov/visa/index.html>
United States Visas.gov: <http://www.unitedstatesvisas.gov/>
Consular Section, U.S. Embassy Budapest:
<http://budapest.usembassy.gov/consular2.html>

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>
United States Visas.gov: <http://www.unitedstatesvisas.gov/>
(Insert here the web address for the consular section of the local embassy website.)

Web Resources

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<http://hungarystartshere.com/>
<http://hungary.com>
<http://www.traveltohungary.com>
<http://www.gotohungary.com/information>
<http://www.erceurope.com/contact.htm>
<http://www.vam.hu/welcomeEn.do>
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1137.html
<http://www.atacarnet.com>
<http://www.usembassy.hu>
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Chapter 9: Contacts, Market Research, and Trade Events

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Contacts

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Homepages of Hungarian Government Ministries/Organizations:

Government of the Hungarian Republic: <http://www.meh.hu/kormany>
<http://www.magyarorszag.hu/english>
The Prime Minister's Office: www.meh.hu
Ministry of National Development and Economy: www.nfgm.gov.hu/en
Ministry of Foreign Affairs: www.mfa.gov.hu
Ministry of Finance: <http://www2.pm.gov.hu/web/home.nsf/frames/english>
Ministry of Environment and Water: <http://www.kvvm.hu/index.php?lang=2>
Ministry of Agriculture and Rural Development:
<http://www.fvm.hu/main.php?folderID=945>
Ministry of Local Government: www.bm.hu
Ministry of Social Affairs and Labor: <http://www.szmm.gov.hu/main.php?folderID=13318>
Ministry of Health: <http://www.eum.hu/english>
Ministry of Defense: <http://www.honvedelem.hu/rovat/194/news.html?acmeLanguage=en>
Ministry of Education and Culture: <http://www.okm.gov.hu/main.php?folderID=137>
Ministry of Justice & Law Enforcement: www.irm.gov.hu
National Development Agency: <http://www.nfu.hu/?lang=en>
National Bank of Hungary: <http://english.mnb.hu/Engine.aspx>
Hungarian Export-Import Bank Rt.: <http://www.eximbank.hu/index.php?lang=en>
Hungarian National Property Management Co. (MNV Zrt.): <http://www.mnvzrt.hu/>
Hungarian Competition Authority:
http://www.gvh.hu/gvh/alpha?do=2&st=2&pg=96&m19_act=4
Hungarian Trade Licensing Office: (under supervision of Ministry of National Development and Economy): <http://www.mkeh.gov.hu/>
National Communications Authority: <http://www.hif.hu/index.php?lang=en>
Council of Public Procurement: <http://www.kozbeszerzes.hu/?locale=en>
Hungarian Energy Office:
<http://www.eh.gov.hu/home/html/index.asp?msid=1&sid=0&HKL=1&lng=2>
Embassy of the Republic of Hungary: www.hungaryemb.org
The Hungarian Investment and Trade Development Agency (ITD Hungary): www.itd.hu

Trade and Industry Associations:

Hungarian Advertising Association: www.mrsz.hu
Association of Direct Selling: www.dsa.hu
Hungarian Banking Association: www.bankszovetseg.hu
Association of the Hungarian Chemical Industries:
<http://www.mavesz.hu/index.php?lang=en>

Association of the Plastics Industry: www.huplast.hu
Association of Hungarian Insurance Companies:
<http://www.mabisz.hu/english/index.html>
Federation of Hungarian Printers and Paper Makers:
http://www.fedprint.hu/index_eng.php
Hungarian Chamber of Commerce and Industry: <http://www.mkik.hu/index.php>
Federation of Hungarian Employers & Industrialists: <http://www.mgyosz.hu/progr/pra.php>
Association of IT Companies: http://english.ivsz.hu/engine.aspx?page=ivsz_en
Association of the Hungarian Electronic and Informatics Industries: www.meisz.hu

Hungarian Franchise Association: <http://www.franchise.hu/index.php?hir=14>
Association of the Hungarian Pharmaceutical Manufacturers:
<http://www.magyosz.org/nyitoeng.html>
Association of the Hungarian Rubber Industry: www.magusz.hu
Hungarian Chamber of Real-Estate Association: www.maisz.hu
National Association of Building Contractors: www.evosz.hu
Federation of Hungarian Food Industries: http://www.efosz.hu/index_en.php?lang=uk
American Chamber of Commerce in Hungary: www.amcham.hu

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www.buyusa.gov/hungary
www.usatrade.gov

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> 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, but free of charge.

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

<http://www.export.gov/tradeevents.html>

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Chapter 10: Guide to Our Services

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

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

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

(Insert link to Products and Services section of local buyusa.gov website here.)

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

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.