

HUNGARY

Creating confidence

With

a strategic location at the heart of Europe, from which almost every European capital can be reached within a two-hour flight, Hungary is the investment destination of choice for a wealth of foreign investors.

Boasting an impressive roll call of historic inventors, scientists and engineers, Hungary is a business-friendly country and home to a highly developed logistical, transport, communications infrastructure and a well-trained and creative workforce. Productivity is high, and thanks to structural reforms implemented by an open and dynamic government, the economy is slated to grow by three per cent this year, exports by nine per cent and imports by more than eight per cent.

As President of the European Council for 2011, Hungary is offering excellent investment incentives to firms wishing to bring their business to the center of the E.U., and it is build-

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ing a framework in which local enterprise can flourish. For pro-Europe Prime Minister Viktor Orbán, whose center-right Fidesz party won a landslide majority in elections last April, tax cuts and job creation are the key priorities, along with the reduction of state bureaucracy. Corporation tax has already been slashed to 10 per cent and Orbán leads the smallest cabinet in Hungary's post-war history.



Tibor Navracsics
Deputy Prime Minister



György Matolcsy
Minister of
National Economy



Tamás Fellegi
Minister of
National Development

For Tibor Navracsics, Deputy Prime Minister, the goal is for Hungary to be strong and competitive within the region, with an economy based on quality of work, knowledge and expertise. "The state is one of the major supporters of growth, with transparent rules and regulations, clear-cut mandates, effective public functions and disciplined operations," he says.

"There is increasing interest in Britain vis-a-vis the SME sector in Hungary, because our investors try to reach out to local firms and can help build organic relations. At the same time, Hungarian SMEs produce at a cheap price and have proved to be very effective and flexible at a regional level."

In particular, Navracsics says, opportunities exist in the IT sector and tourism. "I think beyond the financial benefits, the cultural heritage that the British investors have brought is important. After 40 years of socialism, we have reinvented ourselves and adopted important moral values, as well as ethical operations and diligent work practices."

Economy Minister György Matolcsy adds: "We are on the right track to boost economic growth. We aim to create at least 300,000 jobs by 2014 and a million more by 2020."



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BKV tram crossing Margaret Bridge with the Hungarian Parliament in the background

Foreign Affairs Minister János Martonyi is keen to develop deeper links with the U.K. and the E.U. in general. "The U.K. was one of the staunchest supporters of our E.U. membership at the time of our accession. Although we represent diverse interests, we are clearly all interested in a stronger Europe and that is the main motor behind Hungary's E.U. Presidency."

Responsible for ICT, transport and energy, the Ministry of National Development will be shaping Hungary's modernization development in line with that of the E.U. According to Minister Tamás Fellegi, more emphasis will be placed on energy security. "For Central and Eastern Europe, energy security means strengthening external relations with Russia, Ukraine and the Caspian region. We need diversified infrastructure and available resources. The E.U. needs a harmonized system of administrative and regulative procedures."

This year, the government will make a decision on its nuclear capacities and expects to make renewable energies a priority growth area. There will be significant room for investment in energy efficiency and ICT, as Minister Fellegi explains: "We see tremendous opportunities in importing British technology. Anyone who can bring in production facilities and establish joint ventures here would be heavily supported."

Top of the class in ICT and education

With 20 years' experience offering unique and flexible IT solutions and services, Fornax has been an important part of Hungary's technological development. Founded in 1989, the company was active in setting up the commodities and

futures exchanges, which later merged to become the stock exchange and operated the central trading system. In 1992, it began to deal with telecommunications-related solutions, which brought lucrative contracts with high-profile providers, such as Deutsche Telekom and Vodafone.

According to CEO Bulcsú Balásy, resilience has been the key to Fornax's success. "We run a no-nonsense type of operation. Our clients are usually CTOs or CIOs, i.e. technical people, so what they need are not colorful leaflets and salespeople speaking crazy acronyms but true performance and reliability. Price-wise we have an advantage over other markets, and we have a can-do mentality. We are ready to bite."

Miklós Réthelyi, Minister of National Resources, says: "Our research-educated graduates are a continuous resource for the Hungarian industries, and for foreign companies who would like to start here."

Offering Bachelor's, Master's, PhD programs and vocational training across a range of faculties, University of Szeged is internationally revered for its doctorate programs and its regional knowledge centers in Environment and Nanotechnology and Neurobiology. With 520 bilateral agreements with 290 universities and 30 sister universities within the E.U., the institution receives 300 foreign students from across the globe every year.

"We always score way above the average for R&D investment and the number of articles published," as rector Gábor Szabó explains. "Innovation is present in all sectors, not just the typical fields of biotechnology, I.T. and automation."

Established in 1853, Corvinus University in Budapest also enjoys international acclaim, with its management vocational training course listed within the *Financial Times*' top 50.

As rector Tamás Mészáros explains: "The level and quality of education, the value of the degree, and the conditions and services students receive at our university are paramount. We have a wonderful environment, and surroundings and a library that is highly regarded internationally. There are about 1,700 I.T. places here and we are connected to all possible networks. People come here because it's different and because they will have heard something about the country, such as the hospitality. Budapest is a wonderful city."

István Tarlós, elected mayor of Budapest, obviously agrees. "Budapest is almost destined to be a central European center, by virtue of its location, geographical characteristics and its cultural opportunities," he says.

BKV, the city's public-transport firm, will soon feel the benefits of institutional reforms that will allow it to modernize and

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operate more efficiently and claw back from years of under-investment. "We have been visiting major Western cities as a benchmark, and although we lack the resources, our level of knowledge is high," says CEO István Kocsis. "We know we can fulfil our role of upholding the economy we serve."

Founded by Hungary's most distinguished architect, Jozsef Finta, Finta Studio is the name behind the design of the city's new congress center and a host of other ambitious projects. "The potential of Budapest is enormous," Finta says. "When the planned developments take place, it will become a beautiful, vivid, cultural metropolis."

The city will also benefit from two new state-of-the-art hotels opening this year; the five-star Buddha-Bar Hotel Budapest Klotild Palace and the 70-roomed Avenue 83 Fashion Hotel. Developed by the Mellow Mood Group (MMG), the hotels are the latest additions to an impressive portfolio of ten hotels in Budapest and Vienna. Founded in 1997 by CEOs Sameer Hamdan and Zuhair Awad, MMG's innovative concepts earned it the award of "Tourism Investor of the Year in 2010."

With more than 3,000 stores nationwide, retail giant CBA Commercial Ltd. has used an effective central-management strategy to maintain second position in the market, amidst strong competition from the large multinationals. Celebrating 20 years in business this year, the chain will now focus on a discount network, and branch out in Eastern and Western Europe. László Baldauf, chairman of CBA, says: "Within the next five years, we are going to transform into a shareholding company and in seven or eight years, the shops will be part



Having successfully structured Hungary's debt repayments following an EU/IMF rescue package issued in 2008, the Government Debt Management Agency (AKK) is now on a mission to diversify its investor base at home and abroad.

Thanks to a strong and committed government, and AKK's excellent performance since the crisis, investor confidence has returned and FDI flow is "impressive and promising," according to Gyula Pleschinger, CEO of AKK.

As Pleschinger, who took up the reins in September 2010, explains: "From 2009, the market started to calm down, and this year, we are financing ourselves from the market and are now ahead of our financing schedule."

"Now, I would like to target the sovereign wealth funds as they could become strong strategic partners, but we are also directing an aggressive marketing campaign at private individuals at home, as we have really good, popular products."

The AKK chief remains optimistic, even in the face of a downgrade by Fitch last year. "I think they were being cautious," he says of Fitch. "The procedures are in place to put us back on track and the economy is really rebounding. Hungary has never defaulted on debt servicing and is the first country in the region to start repaying the IMF loan, which means we are very much committed to financing ourselves from the market."

Government Debt Management Agency (AKK Zrt.) www.akk.hu



Finta's projected design of Budapest's new congress center www.fintastudio.eu

of a consolidated network. Viktor Orbán is a great statesman. Investors should come to us with confidence."

Finally, the state-owned Hungarian Development Bank is working with the government to create new jobs and programs from international finance markets, such as the U.S. As well as giving export credits, the bank also finances some Hungarian enterprises abroad. Chairman and CEO Laszlo Baranyay says: "We have created a new program with Finnish and Chinese telecoms firms that will employ more than 3,000 people in the southern part of Hungary. I believe the creativity of the Hungarian people will solve the challenges we have. We are small, but we are strong and resilient—we have a highly educated workforce and favorable taxation."

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APOLOGY: In the March 28 edition of *Time*, as part of its Portugal report, *Business Outlook* incorrectly stated that Luís Cabaço Martins is the CEO of Barraquero Group. The Group's CEO is, however, Humberto Pedrosa. We sincerely apologize to Mr. Pedrosa and the Barraquero Group for the error.