COUNTRY COMMERCIAL GUIDE for U.S. Companies

2014

Doing Business in HUNGARY

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Doing Business in Hungary:

2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Hungary

Market Overview

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Hungary is located in Central Eastern Europe with a population of 9.9 million and has fully transitioned from a centrally planned economy to a market-based one since the fall of communism in 1989. It is a member of the OECD (1996), NATO (1999), and the European Union (2004). Per capita income is nearly two-thirds that of the EU-27 average and total GDP is USD 130 billion. The private sector accounts for more than 80% of GDP. Hungary's strategic location in Europe, access to EU markets, highly skilled and educated work-force, and sound infrastructure have led companies such as GE, Alcoa, Morgan Stanley, National Instruments, Microsoft, IBM and many others to locate facilities here, both in manufacturing and services. Currently, there are approximately 800 partially owned and 128 wholly owned US companies operating in Hungary. Many of these companies find that Hungary's geographic position in Central Europe also offers a strategic logistical hub within the region.

Foreign direct investment (FDI) in Hungary has helped modernize industries, create jobs, boost exports and spur economic growth. Hungary's cumulative FDI stock has totaled more than USD 104 billion since 1989. Key sectors include automotive, IT, electronics, logistics, and more recently shared services (back office and/or call center operations). American companies have invested close to USD 10 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 USD 1 billion dollars in each of the last five years, led by electronics, IT equipment, automotive components, industrial engines and other manufacturing technologies and supplies.

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

Market Challenges

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Hungary was heavily impacted not only by the 2008/2009 global financial crisis but also by austerity measures and sector taxes introduced by the government in 2010. GDP annual growth rate was 0.5% in 2013 and the expected GDP growth rate for 2014 is 1.2%. Hungarian exports, particularly to neighboring countries and Germany, are substantial and Hungary maintains a trade and current account surplus. The official unemployment rate decreased from 10.9% in 2012 to 10.2% in 2013.

The government has continued its commitment to deficit reduction (particularly given Hungary's high debt to GDP ratio, which reached 73.9% in 2012), and many outside observers, including international credit-rating agencies, have criticized the government's failure to enact structural reforms as a more fiscally sustainable way to meet budget targets, rather than through short-term tax increases and one-off measures. Other actions, including suspending payments into the private pillar of the pension system (which makes it financially disadvantageous for most beneficiaries to remain in the private pillar of the pension system), and eliminating the independent Fiscal Council budget watchdog agency, have drawn widespread criticism. In 2013, the three major credit rating agencies (Moody’s, S&P and Fitch) changed their long-term ratings on Hungarian bonds to BB/Ba1.

New foreign currency loans have largely disappeared from the market, but many companies and households still have high exposure to existing foreign currency loans. At the end of 2011, the government reached an agreement with banks to address the issue of foreign currency denominated household loans. It was estimated at the time that half of Hungary’s household debt (USD 26.5 billion) was in Swiss francs. The agreement contained provisions to assist those most in need, by offering government rentals, interest and exchange rate subsidies, or conversions to Hungarian forint loans, depending on the debtor’s financial solvency.

The Ministry of Economy has started structural reforms intended to address medium and long-term fiscal concerns. In addition, the government has initiated significant cuts both in the personal and corporate income tax rates that were expected to boost longer-term growth and have a positive effect on the central budget.

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In spite of the many challenges that accompany the local business environment, Hungary remains an attractive market for U.S. investment and exports. Hungary’s strategic location in Europe, easy access to both EU and non-EU markets within and outside the Schengen zone, highly skilled and educated work-force, and sound infrastructure have led global companies such as GE, Alcoa, GM, NI, Jabil, IBM and many others to locate manufacturing and service facilities here. Currently, there are 800 partially owned and 128 wholly owned US companies operating in Hungary.

Foreign direct investment (FDI) has helped modernize industries, create jobs, boost exports and spur economic growth. Cumulative FDI stock has totaled more than US USD 104 billion since 1989. Among the important sectors: automotive, IT, logistics, manufacturing, electronics and, more recently, shared services (e.g., back office and/or call center operations). American companies have invested close to USD 10 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 USD 1 billion dollars in each of the last five years, led by IT equipment, automotive components, industrial engines and other manufacturing supplies. U.S. exports to Hungary were USD 1.733 billion in 2013, up from USD 1.56 billion in 2012 and USD 1.47 billion in 2011. 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 the upcoming National Development Plan (2014 - 2020), Hungary will allocate approximately EUR 6 billion in projects ranging from tourism and infrastructure development to healthcare and environment protection.

Market Entry Strategy Return to top

The U.S. Government, through the American Embassy in 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 at the Embassy's Commercial Section can help U.S. firms to access the Hungarian market and solve commercial problems through cost-effective service programs and market research.

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

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below:

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

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor Return to top

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

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

Distributors in Hungary can provide strategic support in positioning brands for the local market through advertising and promotional campaigns. Given their familiarity with local culture and business customs, distributors can also assist with after-sales service, which helps the U.S. firm's image. Citing heavy trading competition and Hungary's relatively small market, many distributors will negotiate for exclusivity, but U.S. firms can successfully insist on conditions for exclusivity or other concessions. Major European trade fairs are well attended by Hungarian trading companies, and can be good places to look for distributors. A direct link to upcoming trade events for 2014 can be found in Chapter 9.

Hungarian SMEs often prefer the role of distributor for foreign firms, while private entrepreneurs prefer to act as agents on behalf of their international partners and do not take the ownership of goods or assume financial risk. Agents in Hungary generally work on a commission basis but rates vary by industry, agents in Hungary typically earn a 5 to 7% 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.

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

Companies should also contact the Hungarian Investment and Trade Agency (HITA) – http://www.hita.hu. HITA has the authority to enhance foreign direct investments into Hungary and supports Hungarian SMEs with business development services such as export promotion abroad.

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

EU REGULATION:

Companies wishing to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with 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. 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. It also establishes the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that according to the Directive, parties may not derogate from 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 "vertical agreements." U.S. small- and medium-sized companies (SMEs) are exempt from these regulations because their agreements likely would qualify as "agreements of minor importance," meaning they are considered incapable of impacting competition at the EU level but useful for cooperation between SMEs. Companies with fewer than 250 employees and an annual turnover of less than EUR 50 million are considered small- and medium-sized. The EU has additionally indicated that agreements that affect less than 10% of a particular market are generally exempted (Commission Notice 2001/C 368/07).

Key Link:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2001:368:0013:0015:EN:PDF

The EU also wants to combat payment delays. The new Directive 2011/7/EU, which replaced the current law in March 2013, 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. Directive 2011/7/EU entitles a seller who does not receive payment for goods and/or services within 30 days of the payment deadline to collect interest (at a rate of 8% above the European Central Bank rate) as well as 40 Euro as compensation for recovery of costs. For business-to-business transactions a 60-day period may be negotiated subject to conditions. 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://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:048:0001:0010:EN:PDF

Companies' agents and distributors can take advantage of the European Ombudsman when victim of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights. In addition, SOLVIT, a network of national centers, offers online assistance to citizens and businesses who encounter problems with transactions within the borders of the single market.

Key Links:
http://www.ombudsman.europa.eu/home/en/default.htm
http://ec.europa.eu/solvit/site/about/index_en.htm

Data Privacy and Protection Return to top

Current Situation

The EU's general data protection Directive (95/46/EC) spells out strict rules concerning the processing of personal data. Businesses must tell consumers that they are collecting data, what they intend to use it for, and to whom it will be disclosed. Data subjects must be given the opportunity to object to the processing of their personal details and to opt-out of having them used for direct marketing purposes. This opt-out should be available at the time of collection and at any point thereafter. While the EU institutions are considering new legislation (GDPR), the 1995 Directive remains in force.

Transferring Customer Data to Countries outside the EU

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

As a result, in 2000 the Department of Commerce and the European Commission negotiated the U.S-EU Safe Harbor Framework to provide U.S. companies with simple, streamlined means of complying with the adequacy requirement. It allows those U.S. companies that commit to a series of data protection principles (based on the current Directive), and that 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 Framework do. Companies whose activities are not regulated by the FTC or DoT (e.g. banks, credit unions, savings and loan institutions, securities dealers, insurance companies, not-for-profit organizations, meat packing facilities, or telecommunications carriers) are not eligible to sign up for the Safe Harbor.

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

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

EU-based exporters or U.S.-based importers of personal data can also satisfy the adequacy requirement by using appropriate safeguards, for instance by including data privacy clauses in the contracts they sign with each other. The Data Protection Authority in the EU country from where the data is being exported must approve these contracts. To fast track this procedure the European Commission has approved sets of model clauses for personal data transfers that can be inserted into contracts between data importers and exporters. The most recent were published at the beginning of 2005, and were complemented in 2010 by contractual clauses on “sub-processing” (outsourcing by an EU based exporter of its processing activities to other sub-processors outside the EU). Most transfers using contracts based on these model clauses do not require prior approval. Companies must bear in mind that the transfer of personal data to third countries is a processing operation that is subject to the general data protection Directive regardless of any Safe Harbor, contractual or consent arrangements.

EU countries’ Data Protection Authorities (DPAs) and large multinational companies have also developed a third major approach to compliance with EU rules on transfers of personal data to countries outside the EU. This is based on country-by-country DPA approval of “binding corporate rules” (BCRs). A BCR is the international code of practice that a multinational corporation follows for transfers of personal data between the companies belonging to that corporation (worldwide intra-group transfer). BCRs are suitable for closely-knit, highly hierarchically structured multinational companies but not for loose conglomerates. Companies that set up BCRs that satisfy European DPAs are able to use the presumption of conformity that these approvals provide to transfer personal data from the EU to any location in the world – not just the United States. BCRs can be a tool for compliance with privacy rules on a global scale. The process of negotiation and approval of the BCRs is currently lengthy and complex, and has not been attempted by small or medium-sized companies.

Proposed New Regulation

The EU's current data privacy legislation is undergoing review. A new commercial data protection regulation (GDPR) was proposed by DG Justice in January 2012. The European Parliament adopted on March 12, 2014, by a large majority, the position that its LIBE committee had developed on the proposed regulation. The 2012 proposal is in parallel being revised by the EU Council of Ministers. Greece was able to make good progress while holding the rotating Presidency of the EU Council during the first six months of 2014. Italy will take on the Presidency as of July 2014 while both the Parliament and Commission will be transitioning after the May 2014 European elections. If the EP's March 2014 version of the regulation is adopted, it will impose significant requirements on European and U.S. businesses on the way they are able to gather and utilize user data. It will also sunset all adequacy decisions after five years as well as transfers by way of appropriate safeguards after two years. Additionally, it will introduce substantial fines for offending companies (up to 5% of global revenue). For over two years, industry representatives have voiced their concerns to EU Institutions and member state officials. In a Position Paper published in July 2012, the American Chamber of Commerce to the EU identified 10 key concerns with the proposed regulation including:

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

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

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

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

Franchising

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Currently, there are approximately 400 franchise operations in Hungary, half of which are foreign-owned. The U.S. hamburger chain McDonald's can be considered the "king" of fast-food franchisors in Hungary and Central Europe, as it has pursued a very successful transnational strategy, and has over 100 stores in the country. Others that have found success in the Hungarian market include Kentucky Fried Chicken, Burger King, Starbucks (AmRest), Curves, Hertz, Avis, Budget and Re/Max.

There have also been some franchising exits from the Hungarian market, due to different tastes and practices in the Hungarian market. Dunkin' Donuts, Dairy Queen, Wendy's and New York Bagel are examples of U.S. companies with a short-lived presence in Hungary. Relatively high interest rates, inflexibility of the franchise concept 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 based on local consumers' expectations, needs and tastes. Another franchising technique frequently used involves the purchase of a master franchise by a company or group of private investors, who then own and operate most or all of the outlets. This is the model used by Burger King, Pizza Hut, and Kentucky Fried Chicken.

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

There is no Franchise Law in Hungary and are not any special legal requirements for franchises in Hungary. The same regulations and policies apply to set up a franchise or to establish a company. Membership in the Hungarian Franchise Association is recommended but not obligatory. U.S. businesses attempting to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general. There are a number of laws that govern the operation of franchises within the EU, but these laws are fairly broad and generally do not constrain the competitive position of U.S. businesses. The potential franchiser should take care to look not only at the EU regulations, but also at the local laws concerning franchising. More information on specific legislation is on the website of the European Franchise Federation: http://www.eff-franchise.com/spip.php?rubrique21

Direct Marketing

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Direct marketing is an accepted business practice in Hungary, as in other EU countries. The Association of Direct Selling (DSA) - http://www.dsa.hu, founded in 1993, promotes direct selling and works to protect consumer interests in Hungary. In 1995, DSA Hungary adopted the European Codes of Conduct, a set of guidelines aimed at ensuring the satisfaction and protection of consumers, promoting fair competition in the framework of free enterprise, and enhancing the public image of direct selling. The group's Code states that DSA members must allow consumers eight days to get reimbursed should they change their mind about a purchase. DSA is a member of the Federation of European Direct Selling Associations and the World Federation of Direct Selling Associations. DSA Hungary has twelve members: CAN Communications, Amway, Avon, Flavon Group, GNLD International, Herbalife, Nikken UK, Sunrider, Nu Skin Enterprises, Oriflame, Tiens Hungary 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 - Key Links:
Consumer Affairs Homepage:
http://ec.europa.eu/consumers/index_en.htm
Consumer Rights:
http://ec.europa.eu/justice/consumer-marketing/rights-contracts/directive/index_en.htm
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0065:EN:NOT
http://ec.europa.eu/internal_market/e-commerce/index_en.htm

Joint Ventures/Licensing

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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 http://www.jointventure.hu/en/index.html

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

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

EU REGULATION

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.

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
The EU's Directive on Distance Selling to Consumers (97/7/EC and amendments) sets out a number of obligations for companies doing business over 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 Selling 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.

In 2011, the EU overhauled its consumer protection legislation and merged several existing rules into a single rulebook - "the Consumer Rights Directive". The provisions of this Directive will apply to contracts concluded after June 13, 2014, and will replace current EU rules on distance selling to consumers and doorstep selling along with unfair contract terms and consumer goods and associated guarantees. The Directive contains provisions on core information to be provided by traders prior to the conclusion of consumer contracts. It also regulates the right of withdrawal, includes rules on the costs for the use of means of payment and bans pre-ticked boxes. Companies are advised to consult the relevant sections of EU Member States' Country Commercial Guides and to contact the Commercial Service at the U.S. Mission to the European Union for more specific guidance.

In 2013, the EU adopted rules on Alternative Dispute Resolution which provide consumers the right to turn to quality alternative dispute resolution entities for all types of contractual disputes including purchases made online or offline, domestically or across borders. A specific Online Dispute Resolution Regulation will set up an EU-wide online platform to handle consumer disputes that arise from online transactions. The platform will be operational at the end of 2015.

Key Links:
Consumer Affairs Homepage:
http://ec.europa.eu/consumers/index_en.htm

Consumer Rights:
http://ec.europa.eu/justice/consumer-marketing/rights-contracts/directive/index_en.htm

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 amended three prior existing Directives and is designed to ensure that consumers are appropriately protected with 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 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

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

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

Selling to the Government Return to top

Hungary's new Public Procurement Act CVIII was passed in 2011. http://www.kozbeszerzes.hu/static/uploaded/document/PPA%202012_011.pdf .The current law regulates only the various forms of procurement however the national thresholds are always contained in the actual Budget Law. In case of a general, simplified procurement the national threshold for procurement of goods remains at 8 million HUF (Hungarian Forints), which amounts to approximately USD 40,000. For construction, it is HUF 15 million (USD 75,000), and for services, HUF 8 million (USD 40,000). The national threshold for construction concession amounts to HUF 100 million (USD 500,000) and HUF 25 million (USD 125,000) for services concession.

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

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

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

Key Links:

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

EU REGULATION
The public procurement market in the EU is currently regulated by three Directives and in 2014, the EU adopted new legislation in this area. New EU Directives were adopted for the general and utilities sectors as well as one on concession contracts:

- Directive 2004/18 on Coordination of Procedures for the Award of Public Works, Services and Supplies Contracts;
- Directive 2004/17 on Coordination of Procedures of Entities Operating in the Utilities Sector, which covers water, energy, transport and postal services; and
- Directive 2009/81 on Coordination of Procedures for the Award of Certain Works, Supply and Service Contracts by contracting authorities in the fields of defense and security.

There is a separate Directive addressing the procurement of defense and sensitive security equipment.

According to some estimates, the size of the EU public procurement market is thought to be between 340 billion euros - 440 billion euros. More details on the size of the EU public procurement market are available in "The Annual Public Procurement Implementation Review": http://ec.europa.eu/internal_market/publicprocurement/docs/implementation/20121011-staff-working-document_en.pdf

Remedy directives cover legal means for companies who face discriminatory public procurement practices.

The U.S. and the EC are signatories to the World Trade Organization's (WTO) Government Procurement Agreement (GPA), which grants access to most public supplies and services and some work contracts published by national procurement 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: http://ec.europa.eu/internal_market/publicprocurement/rules/gpa-wto/index_en.htm

However, there are restrictions for U.S. suppliers in the EU utilities sector both in the EU Utilities Directive and in EU coverage of the GPA. The Utilities Directive allows EU contracting authorities to either: 1) 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 2) 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, are waived for the electricity sector.

While authorities of EU member states have to apply EU Public Procurement Directive when procuring goods and services, the EU institutions follow different procurement rules, as explained in our reports on "Selling goods and services to the EU institutions – Update 2014" and "Tenders for Government Contracts in the EU": http://export.gov/europeanunion/marketresearch/index.asp

Distribution and Sales Channels Return to top

Budapest and its suburbs have become a preferred location for multinationals (e.g., GM/Opel, Ford, Pepsi, Coca-Cola, IBM, Hewlett-Packard, and AIG/Lincoln) to establish headquarters in Central and Southeast Europe, but other locations in the country have multinationals present as well, including Debrecen, Gyor, Szekesfehervar. While Hungary's retail and wholesale distribution operations are improving compared to Western Europe, some weaknesses remain. For example, the trading company structure is relatively undercapitalized, and usually combines both retailing and wholesaling. In 2013, the overall volume of retail trade in Hungary increased 0.9%, compared to 2011. Retail growth is expected to increase further and reach 1.8% annual growth rate in 2014 thanks to the decreasing inflation rate and personal income tax.

Unlike the countryside, Budapest's retail sector has many prestigious superstores, shopping centers, hypermarkets, and supermarkets. The most successful distribution companies in Hungary are wholly-owned subsidiaries of international chains, such as Auchan, Tesco, Lidl, Aldi, DM, Rossmann, OBI, Praktiker, and IKEA. A typical distribution channel in Hungary is for importer-wholesalers to service retailers and end-users directly. B2B and B2C are rapidly expanding. Hungarian agents or distributors usually look to and rely on foreign partners to share the marketing and promotion expenses and to provide training and financing. Until recently, small, independent, family-owned shops dominated Hungary's retail sector especially in the less populated parts of the country. Thousands of these shops still continue to serve rural populations, posing logistical challenges for distributors and suppliers. However, medium-sized, financially well-established heavy-discount chains are making inroads in Hungary's retail sector with retail units in smaller villages and other settlements. Such chains include Real grocery stores having close to 2,300 shops and CBA with 3,357 various kinds of CBA stores nationwide. Discount food chain stores are also present in the market. Lidl has 158 stores nationwide, Aldi 116, Penny Market 191 and Spar/Interspar operates 400 stores.

Shopping malls have expanded rapidly, so much so that as of January 2012, a law dubbed by the media as the "plaza ban" came into effect. This law requires all retail developments of above 300 square meters to be personally approved prior to planning permission by the Minister for National Economy. The moratorium is to last until the end of 2014. The legislation was purportedly introduced in order to maintain the stability of the market, however opinions differ widely, and some view it as a protectionist measure. At the end of 2013, forty malls operated in Budapest, and another 59 outside of Budapest all around the country. The largest mall is Arkad 1+2 on 68,000 square meters, followed by KOKI Terminal, Westend, Arena and Mammut.

Cash is still more dominant in Hungary but the number of retail transactions with bank or debit cards (Visa, Amex and Mastercard) has grown significantly in recent years. The actual use of credit cards fell significantly with a total of 10% between 2009 and 2013. The reason is the high interest rates and related expenses that make up 40-45% total charges. Particularly in cities, consumers tend to use bankcards in malls, hyper- and supermarkets, petrol stations, restaurants and paying for accommodation during holidays. The use of bankcards grew at 8% between 2011 and 2013. Card payments account for a rough 35-40% of retail payments in Hungary, compared with 75 to 80 per cent of purchases in Western Europe. All commercial banks started to replace the magnetic bank cards with the chip-based bank cards in 2012.

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

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

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

Selling Factors/Techniques Return to top

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

U.S. companies should also be aware that access to capital is limited for many Hungarian firms. The inflation rate was only 1.7% in Hungary in 2013 and residential lending rates fluctuate between 10 and 27% while corporate lending rates start at 6%. The majority of Hungarian companies and their customers cannot easily finance purchases locally. Most Hungarian firms are too small to offer stock or issue commercial paper. As a result, business, including paying for imports, largely depends on self-financing.

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

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

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

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

Electronic Commerce Return to top

Citing the boost e-commerce could give Hungary's productivity and innovation, the Hungarian government continues to place a high priority on advancing this sector. E-commerce had a slow start in Hungary but has been booming in the recent years. The most developed segment is E-banking. More than 3.4 million retail clients used internet banking services at the end of 2013, up 9% from 2011.

Online retailing continues has been growing steadily since 2010. Online retailing and webshop concept has been mushrooming. Most frequently purchased products via online were books, coupons, it and electronic gadgets, insurance services, e- tickets, holiday reservations. E-retailers hit sales of HUF 200 billion in 2013, an increase of 12% compared to 2012. Over 70% ordered the product with home delivery and only 30% chose in-person pick-up. Both males and females use online retailing in fifty-fifty percent.

The majority of e-commerce revenue, almost 40% is generated in the last two months of the year as a result of the shopping frenzy before the holidays.

In addition, the average value of the online shopping cart is higher than that of traditional purchases. On the Internet a customer spends HUF 7,500 on average on a purchase while only HUF 3,000 in traditional commerce. Online customers are therefore more inclined to spend a bigger sum at one go, encouraged by the fact that most e-stores offer free delivery over a certain amount of spending. In 2013 there were roughly 5,000 webshops registered in Hungary out of which 4,100 were in active status.

EU REGULATIONS

The Electronic Commerce Directive (2000/31/EC) mentioned in the direct marketing section above provides rules for online services in the EU. It requires providers to abide by rules in the country where they are established (country of origin). Online providers must respect consumer protection rules such as indicating contact details on their website, clearly identifying advertising and protecting against spam. The Directive also grants exemptions to liability for intermediaries that transmit illegal content by third parties and for unknowingly hosting content. The European Commission released a work plan in 2012 in order to facilitate cross-border online services and reduce barriers and released a report on implementation of the action plan in 2013.

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

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

Businesses affected by EU Directive 2002/38 are either U.S.-based and selling ESS to non-business EU customers, or are EU-based businesses selling ESS to customers outside the EU. There are a number of compliance options for businesses.
The Directive creates 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 located, 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.

For more, go to the EC website:
http://ec.europa.eu/taxation_customs/taxation/vat/traders/e-commerce/index_en.htm

Trade Promotion and Advertising Return to top

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

Television remains the most important and influential medium for advertising, followed by print, radio and internet media. Internet advertising has been growing dynamically, while outdoor (billboard) advertising continues to stagnate. The biggest spenders are food products, followed by pharmaceuticals and financial service companies. In line with the international trends, promotions and point of sale activities have gained importance.

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

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

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

EU REGULATIONS

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. Since 2009, the rules allowing for U.S.-style product placement on television and the three-hour/day maximum of advertising have been lifted. However, a 12-minute/hour maximum remains. Child programming is subject to a code of conduct that includes 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 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. This Directive, however, will be incorporated into the Consumer Rights Directive mentioned above by June 2014.

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

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

Medicines

The advertising of medicinal products for human use is regulated by Council Directive 2001/83/EC as amended by Directive 2004/27/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 proposal for a framework for information to patients on medicines in 2008 which would allow industry to produce non-promotional information about its medicines while complying with strictly defined rules and would be subject to an effective system of control and quality assurance. The debate on the framework however is currently blocked in the member states and therefore, current varying systems at national level are in force.

Key Link:
http://ec.europa.eu/health/human-use/information-to-patient/index_en.htm

Nutrition & Health Claims

On July 1, 2007, a 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 in the EU. Only foods that fit a certain nutrient profile (below certain salt, sugar and/or fat levels) are allowed to carry claims. Nutrition and health claims are only allowed on food labels if they are included in one of the EU's positive lists. Food products carrying claims must comply with the provisions of nutritional labeling Directive 90/496/EC and its amended version Directive 1169/2011.

In December 2012, a list of approved functional health claims went into effect. The list includes generic claims for substances other than botanicals which will be evaluated at a later date. Disease risk reduction claims and claims referring to the health and development of children require an authorization on a case-by-case basis, following the submission of a scientific dossier to the European Food Safety Authority (EFSA). Health claims based on new scientific data will have to be submitted to EFSA for evaluation but a simplified authorization procedure has been established.

The development of nutrient profiles, originally scheduled for January 2009, has been delayed. 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." A European Union Register of nutrition claims has been established and is updated regularly. Health claims cannot fail any criteria.

Detailed information on the EU's Nutrition and Health Claims policy can be found on the USEU/FAS website at http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/nutrition-health-claims/ and in the EU-28 "Food and Agricultural Import Regulations and Standards (FAIRS) Report.

Key Link: http://ec.europa.eu/nuhclaims/

Food Information to Consumers

In 2011, the EU adopted a new regulation on the provision of food information to consumers (1169/2011). The new EU labeling requirements will apply from December 13, 2014 except for the mandatory nutrition declaration which will apply from December 13, 2016.

Detailed information on the EU's new food labeling rules can be found on the USEU/FAS website at http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/eu-labeling-requirements/ and in the EU-28 "Food and Agricultural Import Regulations and Standards (FAIRS) Report.

Key link: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:304:0018:0063:EN:PDF

Food Supplements

Directive 2002/46/EC harmonizes the rules on labeling of food supplements and introduces specific rules on vitamins and minerals in food supplements. Ingredients other than vitamins and minerals are still regulated by member states.

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

Key Link: http://ec.europa.eu/food/food/labellingnutrition/supplements/index_en.htm

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 Audiovisual Media Services Directive. A revised Tobacco Products Directive has been adopted and must now be transposed into national legislation by member states by 2016. The new legislation will include bigger, double-sided health pictorial warnings on cigarette packages and possibility for plain packaging along with health warnings, tracking systems.

Key link: http://ec.europa.eu/health/tobacco/products/

Pricing Return to top

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

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

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

The rate of inflation was 1.7% in 2013. Fluctuations in the exchange rate of the Hungarian Forint to other currencies make planning very difficult. Much of the population is indebted in foreign currencies (mainly Euro and Swiss Franc), so the weakening of the forint also significantly raises the burden of debtors including households, the business sector as well as the government.

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

Numerous EU-oriented reforms have removed price controls on most utilities. In the past few years, the Hungarian Government largely deregulated utilities and has brought up, or at least come closer, to EU pricing levels for electricity, gas and wastewater prices, which resulted in a significant price increase both for households and businesses.

However, as of January 2013, the Government of Hungary introduced a 10% decrease on retail utility prices to consumers for electricity and gas heating and another 10% retail price decrease in July 2013 on water and sewage services as part of the country's public utility cuts program and that of protecting arable land in the country. The full renationalization tendency of utilities including electricity, gas and water is an open secret and has been worked on for the past years. In some other sectors, stiff competition is going on. Such sectors include the telecommunications, cable or digital TV services and internet services providers.

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

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

Sales Service/Customer Support Return to top

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

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

EU REGULATIONS

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

Product Liability

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

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

Product Safety

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

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://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:01999L0044-20111212&qid=1395670475658&from=EN

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.

Protecting Your Intellectual Property Return to top

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

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

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

EU REGULATIONS

Protecting Your Intellectual Property in the EU:
Several general principles are important for effective management of intellectual property ("IP") rights in the EU. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in the EU than in the United States. Third, rights must be registered and enforced in the EU under local laws. Your U.S. trademark and patent registrations will not protect you in the EU. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the EU market. 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 EU. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in EU law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP 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 legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government 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 potential 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. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in the EU require constant attention. Work with legal counsel familiar with EU 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 IP and stop counterfeiting. There are a number of these organizations, both EU 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)

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Angola, Argentina, Brazil, China, Colombia, Egypt, Ghana, India, Indonesia, Kenya, Mexico, Mozambique, Nigeria, Russia, Saudi Arabia, Senegal, South Africa, Thailand, Turkey and Vietnam. For details and to register, visit: http://www.stopfakes.gov/business-tools/international-ip-advisory-program

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. For contact information, please see: http://www.uspto.gov/ip/global/attache/Attache_Contacts_2012-08.doc

Due Diligence Return to top

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

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

Local Professional Services Return to top

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

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

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

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

Auditing/Accounting:
Ernst & Young Hungary: http://www.ey.com/
PriceWaterhouseCoopers http:/www.pwc.com/
KPMG Kft. http://www.kpmg.hu/index.thtml/

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

Logistics and industrial parks:
ProLogis Budapest: http://www.prologis.com/en/country/central-and-eastern-europe/about-us/hungary.html
AIG Lincoln Hungary: http://www.aiglincoln.com/
Waberer's International Zrt. http://www.waberers.com
Hungarian Logistics Association: http://mle.hu/startpage

IT system integrators:
Synergon Informatika Rt.: http://www.synergon.hu/en/
Graphisoft: http://www.graphisoft.hu
AlbaComp Rt.: http://www.albacomp.hu/index.php?lang=en

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

Internet service providers:
http://www.t-home.hu
http://www.gts.hu
http://www.invitel.hu

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

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

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

Agreements of Minor importance which do not appreciably restrict Competition under Article 81(1) of the Treaty establishing the European Community:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2001:368:0013:0015:EN:PDF

Directive on Late Payment:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:048:0001:0010:EN:PDF

European Ombudsman:

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

EU's General Data Protection Directive (95/46/EC):
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:1995:281:0031:0050:EN:PDF

Safe Harbor:
http://export.gov/safeharbor/eu/eg_main_018476.asp

Information on contracts for transferring data outside the EU:
http://ec.europa.eu/justice/data-protection/document/international-transfers/transfer/index_en.htm

EU Data Protection Homepage:
http://ec.europa.eu/justice_home/fsj/privacy/index_en.htm

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

Distance Selling of Financial Services:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:271:0016:0024:EN:PDF

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/consumers/rights /

Information to Patients - Major developments:
http://ec.europa.eu/health/human-use/information-to-patient/legislative-developments_en.htm

Nutrition and health claims made on foods - Regulation 1924/2006
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:012:0003:0018:EN:PDF

Regulation on Food Information to Consumers:
Regulation 1169/2011

EU-27 FAIRS EU Country Report on Food and Labeling requirements:
http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/fairs-reports/

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

Summary document from EFSA
http://www.efsa.europa.eu/cs/BlobServer/Scientific_Opinion/nda_op_ej530_guidance_summary_en.pdf?ssbinary=true

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

Tobacco
http://ec.europa.eu/health/tobacco/policy/index_en.htm

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

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

Legal Warranties and After-Sales Service:
http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:01999L0044-20111212&qid=1395670475658&from=EN

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/LexUriServ/LexUriServ.do?uri=CELEX:32001L0029:EN:HTML

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

Trademark
http://ec.europa.eu/internal_market/indprop/tm/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

U.S. websites:

IPR Toolkit: http://www.stopfakes.gov/sites/default/files/europeanunion_toolkit.pdf

EU Public Procurement:
http://export.gov/europeanunion/marketresearch/eufundingandgovernmentprocurementsectors/index.asp

Local Professional Services:
http://export.gov/europeanunion/businessserviceproviders/index.asp

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

Commercial Sectors

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Agricultural Sectors

- Planting Seeds
- Bovine Semen
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- Dried Fruits and Nuts (including Peanuts)

Packaging Materials

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Packaging consumption in Hungary is recovering from the effects of the economic downturn. According to data presented by the Central Statistical Office (KSH) from a quantity of 780,000 tons in 2011, the quantity of packaging materials is expected to increase further by 3.5% through 2014. Unfortunately, this figure is still below the average consumption in Europe.

The Association of Hungarian Packaging and Material Handling Companies (CSAOSZ) stated that the packaging industry grew at 3.8% in 2013 in value. Paper and plastic were used as the most important packaging materials. Use of other packaging materials is less significant.

In 2012 the use of plastic packaging reached the level of paper but in 2013 the tendency turned back and plastic packaging usage was similar to that in previous years. The growth pace of these two packaging materials has been almost equal for the last ten years. The leading role of paper and plastic as packaging materials correlates with the international tendencies. The use of wood packaging materials has shown a moderate growth in volume since 2009. Glass packaging shows a slow and steady decline both in value and in volume.

Metal packaging materials shows diverse tendencies. According to value data, imports have been exceeding the national production for the past 10 years however in volume domestic production always dominated the import. In 2013 both export and import increased intensely. This packaging material type was the least affected by the economic worldwide crises.

Analyzing the turnover of wood packaging materials – both in value and volume – all sales directions show growth for the past five years. Main types of wood packaging include: pallets with 67%, boxes and drums with 18% and barrels with 12%.

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In case of paper packaging materials, national production dominates and import exceeds the level of export. All the three areas (national production, import and export) are growing. Main types of paper packaging include: corrugated board products with 55%; cardboard boxes with 32%, paper sacks and bags with 6%.

In 2013, the use of plastic packaging decreased both in value and volume compared to 2012 and 2011. The main types of plastics packaging include: bags and sacks with 30%; boxes and crates with 10% and bottles and balloons with 22%.

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

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The Hungarian Packaging Association - www.csaosz.hu

Biotechnology

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The Hungarian biotechnology industry is a strategic sector in Hungary. Unlike several other sectors, biotechnology has recovered well from the crisis, and has achieved strong growth: the total revenue of close to 90 Hungarian biotech companies increased to USD 115 million in 2013 from USD 103 million in 2012, while the sector employed over 2,000 last year.

The Hungarian Biotechnology Association (HBA) issued the update of the biotechnology strategy paper in 2010 and the strategy became an essential part of the new Government's economy development program in 2011. Three of the seven "break-out points" of the New Development Plan are biotech related: Health Industry, Green Economy, Science-technology and Innovation. The global recognition of Hungarian biotech companies has increased and a few of them have become market leaders in niche segments.

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

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

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

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Hungary has the opportunity to achieve a globally significant position in certain segments, where the infrastructure and the know-how is present in the country is strong, such as clinical trial of new drugs, development of biopharmaceuticals based on recombinant proteins and monoclonal antibodies, in-vitro diagnostics, plant breeding, animal biotechnology, bio-refinery, and the use of bioreactors.

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

	2012	2013
Biotech companies	85	89
Employees	1816	2150
Employees in R&D	650	720
Revenue Total	USD 103 million	USD 115 million
Export Revenue	USD 37 million	USD 38 million
R&D Spending	USD 26 million	USD 33 million

Source: Hungarian Biotechnology Association

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Red biotech clearly dominates the sector in Hungary based on both the number of companies, employment and revenue. Forty three percent of all Hungarian biotech companies reported red biotech as their primary area. The sector underwent an extreme fast growth period between 2005 and 2010: red biotech and bioinformatics revenues grew at 3% annually.

Exports of the Hungarian biotech sector were USD 38 million in 2013. Practically all export revenue came from red biotech (USD 29.7 million) and bioinformatics (USD 8.3 million). R&D spending of the Hungarian biotech sector was USD 33 million in 2012. 95% of all R&D spending took place in red biotech (USD 25 million) and bioinformatics (USD 3.9 million).

According to the National Biotechnology Platform, there are close to 260 biotechnology research and education institutions active in scientific areas of potential biotechnology applications. Out of these, 185 operate in Budapest and its close region and there are red biotech and bioinformatics companies cluster in some university towns: 55 companies in Debrecen and East Hungary, 38 in Szeged and South East Hungary and 26 in Pecs and South West Hungary.

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Hungarian Biotechnology Association – www.biotechszovetseg.hu

Safety and Security

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The safety and security equipment market has become one of the most promising sectors for U.S. exporters in the Hungarian market in the past few years. This sector was valued at approximately USD 4.9 million in 2013. It consists of over 900 companies employing about 24,000 people and contributes 0.8 % to the GDP. The industry is comprised of a sizable number of small and mid-sized locally based firms and multinational companies' local subsidiaries.

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

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

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Innovative technologies, materials and equipment present business opportunities for U.S. companies.

Airport security continues to be among best prospects as regional airports in Debrecen and Gyor-Per have initiated development projects including airport security equipment and upgrade of border crossing points at these regional airports. Security issues for manufacturing locations, industrial facilities and parks also present challenges for state-of-art security solutions.

During the last few years, the security and building automation market saw an annual increase of 3.4%. There was a 4.1% increase in the anti-intrusion equipment segment, while the CCTV component increased by 6.5%, as a result of moving away from analog to digital solutions. Solutions that improve energy efficiency and promote sustainable development will find opportunities in the market.

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

End users of safety and security products are varied and include private and public organizations, banks, and private citizens. While public spending will remain weak in the near term, continued opportunities exist among large organizations, banks and private citizens. Approximately 1.9 million homes lack proper security and alarm systems in Hungary. A sense of vulnerability and insecurity, particularly among female and the elderly population, is increasing due to increasing numbers of robberies.

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

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

Opportunities

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Equipment with the greatest sales potential includes:

- CBRN solutions and tools
- Advanced video surveillance monitoring solutions
- Platform/sensor land border surveillance and detection systems
- Automated home protection solutions
- Screening and X-Ray systems for airports, customs, and public facilities (office buildings, logistic centers, warehouses)
- Access control systems
- CCTVs, Security cameras for large facilities
- Wireless security solutions
- General security supplies (such as window foils, transportation security products, personal safety products)

Hungarian users have high consideration for innovative, and sophisticated American security products and solutions, Strong after-sales service, maintenance and training are essential to success.

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Security Management - http://www.securitymanagement.com/
Magyar Biztonsagtechnika (Hungarian Safety and Security Technology) - http://www.magyarbiztonsagtechnika.hu/

Franchising

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

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

There are no special legal requirements for franchises in Hungary. The same regulations and policies apply to set up a franchise or to establish a company. Membership in the Hungarian Franchise Association is recommended but not obligatory. Generally speaking, U.S. businesses looking to franchise within the European Union will likely find that the market is quite robust and friendly to franchise systems in general.

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

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Food (family casual, fast food, and ethnic food)
Home Healthcare
Automotive Services (quick oil change or auto tuning)
Hair and nail services
Janitorial services
Mobile pet grooming
Dry cleaning and laundry

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There are a large number of franchise companies operating in Hungary, primarily because of the country's favored location in the heart of Europe, its relatively cheap workforce and the growing demand for quality products and services. Local Hungarian businesses are not known for good customer service, so a good franchise system in almost any sector can find opportunities in the Hungarian market.

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Hungarian Franchise Association www.franchise.hu

Franchise Portal www.franchiseportal.hu

Travel and Tourism

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	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
Number of Hungarian visitors travelling to the US	12,108	16,261	15,456	13,591	57,416	12,145	16,870	16,551	14,562	60,128

For Hungarian travellers, the United States is one of the primary international destinations. The main US destinations for Hungarian travellers are the major cities of the country (New York, Chicago, San Francisco, etc.) and the most well-known National Parks in the States. Also, there is a sizable number of Hungarians travelling to the United States for business purposes. The total number of Hungarian residents traveling to the US in 2013 was 60,128. Compared to 2012, the decline was approximately 4.7%.

- Since 2010, Hungary has been member of the Visa Wavier Program, therefore Hungarians can travel using the ESTA system without obtaining a visa, which is had been one of the reasons for the increasing number of Hungarian visitors to the US .
- Since February 2012, there has been no direct flight between Hungary and the US. Despite the abscence of direct travel opportunities between the two countries, the number of travellers from Hungary to the US showed only a slight decline in 2012 and started growing again in 2013.

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Travel agencies, destinations and tourism marketing programs targeting Hungarian travellers can expect an increasing number of Hungarians travelling to the US for leasure, business and educational purposes.

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Office of Travel & Tourism Industries (OTTI) http://travel.trade.gov/

Greenbuild Products and Technologies (BLD) (REQ)

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	2008	2009	2010	2011	2012	2013
Production volume of construction in Hungary (Billion USD)	9.01	8.86	8.02	7.54	7.23	8.03

Hungary saw a decline in the construction industry during 2009-2011 due to the global economic slowdown: Hungarian construction industry output fell 45 per cent from USD 10.6 billion in 2007 to USD 7.23 billion in 2012. A number of building trades suffer from a shortage of labor as tradesmen take jobs abroad, and construction quality continues to decline because construction industry prices frequently do not cover actual costs. However, in 2012 the volume of construction in Hungary started to realize a slight increase, and by the end of 2013 the production volume of construction grew by USD 0.8 billion compared to 2012. The government's USD 33.6 billion **Széchenyi Plan** for 2011-2014 is expected to boost infrastructure investments in the country even more. In 2012, the government announced the **Home Creation Program**. The program will restore the social housing subsidy and grant interest rate-subsidized forint loans for buying new or resale homes, housing construction or renovation. In 2013, 18% of all housing loans were supported by the government. This is one of the reasons for the significant growth in construction industry.

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

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

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- Green offices:

From 2013 all business centers built in Hungary have to meet the requirements of the unified international “Green Qualifications”. Thus, the number of green offices is increasing rapidly, in 2013 their ratio was over 12%. The predictions show similar increase for the next few years.

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The greatest market opportunities for U.S. companies are in selling renewable energy systems and particles, as the market is constantly growing, and the EU has great expectations towards Hungary. The market is not saturated, and the demand is rising.

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

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

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Unit: HUF billion

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

* *GfK Temax Hungary, GfK*

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

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

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

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

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

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

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

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

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

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

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

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

Agricultural Sectors

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Despite frequent disputes, bilateral agricultural trade between the United States and the EU-28 totaled USD 29.6 billion in 2013. The EU is the fifth largest export market for U.S. agricultural products after China, Canada, Mexico and Japan. For the eleventh year in a row, the trade balance in agricultural, forestry, and fishery goods continued in the EU's favor (USD 17.7 billion vs. USD 11.9 billion). U.S. imports from the EU included wine and beer, essential oils, cheese, and processed fruits and vegetables.

The main U.S. products exported to the EU by value were tree nuts, soybeans, processed fruits and vegetables and wine and beer. Increases were seen in U.S. exports of soybeans and soybean meal, vegetable oils, processed fruits and vegetables, tree nuts, and wine and beer. Tree nuts exports increased by 32% in 2013 and reached their highest EU export sales since 1970.

Global branding and further integration of European markets is continuing to produce a more homogeneous food and drink market in Europe, but significant national differences in consumption remain. Nevertheless, certain common trends are evident throughout the EU: demand for greater convenience, more openness to non-traditional foods, and a growing interest in health foods, organics and niche markets. For a thorough analysis of what commodities and products offer the best opportunities, access www.usda-eu.org and consult Brussels' and the individual member states' Food and Agricultural Import Regulations and Standards (FAIRS) Reports at http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/fairs-reports.

http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/certification/fairs-export-certificate-report/

http://www.usda-eu.org/

Planting Seeds

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USD million

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	216	214	227	219
Total Local Production	260	245	260	255
Total Exports	59	54	55	53
Total Imports	15	23	18	17
Imports from the U.S.	2	2	1	3
Exchange Rate: 1 USD	212	218	221	223

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

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

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

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Bovine Semen

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Unit: USD million

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	6.22	7.12	6.22	6.05
Total Local Production	3.70	3.70	3.65	3.60
Total Exports	0.28	0.28	0.23	0.30
Total Imports	2.80	3.70	2.80	2.75
Imports from the U.S.	1.70	1.60	1.80	1.80
Exchange Rate: 1 USD	212	218	221	223

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

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

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Poultry Breeding Stocks

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	45.20	41.70	43.50	44.00
Total Local Production	51.50	51.50	54.00	52.50
Total Exports	50.00	49.00	48.00	46.5
Total Imports	43.70	39.20	37.5	38.00
Imports from the U.S.	2.40	2.50	1.65	1.55
Exchange Rate: 1 USD	212	218	221	223

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

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Dried Fruits and Nuts (incl. Peanuts)

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Unit: USD million

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	37.1	35.3	37.8	35.5
Total Local Production	22.0	22.0	23.50	21.0
Total Exports	19.3	18.4	12.2	11.5
Total Imports	34.4	31.7	26.5	26.0
Imports from the U.S.	2.0	1.9	1.7	1.8
Exchange Rate: 1 USD	212	218	221	223

Hungary has well-developed sweets, confectionery and bakery industries. Household baking is also traditional. Consumption of dried fruits (including raisins) and nuts (including peanuts) is also increasing. Industry looks for better quality and higher value added raw materials. This means better competitive positions for the more expensive

U.S. products. Suppliers from less expensive developing countries have well set market positions. Substantial parts of U.S. imports are re-exported from Germany, Austria or other West European countries due to the need for small volumes but continuous deliveries.

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Best prospects are in raisins and almonds, along with those mentioned above.

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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

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 that have Hungary as their final destination. The VAT on most goods and services is 27%. In addition to the 27% VAT, there is an 18% VAT category for certain products such as dairy products, bakery products and commercial accommodation services.

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

EU REGULATIONS
The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show the various rules which apply to specific products being imported into the customs territory of the EU or, in some cases, 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/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

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For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website:
http://www.ustr.gov/sites/default/files/2013%20NTE%20European%20Union%20Final.pdf

Information on agricultural trade barriers can be found at the following website:
http://www.usda-eu.org/

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

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

Many EU member states maintain their own list of goods subject to import licensing. For example, Germany's "Import List" (Einfuhrliste) includes goods for which licenses are required, their code numbers, any applicable restrictions, and the agency that will issue the relevant license. The Import List also indicates whether the license is required under German or EU law.

For information relevant to member state import licenses, please consult the relevant member state Country Commercial Guide: EU Member States' Country Commercial Guides or conduct a search on the Commerce Department's Market Research Library, available from:

Import Documentation

The Single Administrative Document
The official model for written declarations to customs is the Single Administrative Document (SAD). Goods brought into the EU customs territory are, from the time of their entry, subject to customs supervision until customs formalities are completed. Goods are covered by a Summary Declaration which is filed once the items have been presented to customs officials. The customs authorities may, however, allow a period for filing the Declaration which cannot be extended beyond the first working day following the day on which the goods are presented to customs.

The Summary Declaration is filed by:

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

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

European Free Trade Association (EFTA) countries including Norway, Iceland, Switzerland, and Liechtenstein also use the SAD. Information on import/export forms is contained in Council Regulation (EEC) No. 2454/93, which lays down provisions for the implementation of the Community Customs Code (Articles 205 through 221). Articles 222 through 224 provide for computerized customs declarations and Articles 225 through 229 provide for oral declarations.

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

Regulation (EC) No 450/2008 laying down the Community Customs Code (so-called the "Modernized Customs Code") aimed at the adaptation of customs legislation and at introducing the electronic environment for customs and trade. This Regulation entered into force on June 24, 2008 and was due to be applicable once its implementing provisions were in force by June 2013. However, the Modernized Customs Code was recast as a Union Customs Code (UCC) before it became applicable. The Union Customs Code (UCC) Regulation entered into force in October 2013 and repealed the MCC Regulation; its substantive provisions will apply only on May 1st 2016. Until this time, the Community Customs Code and its implementing provisions continue to apply.

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

EORI

Since July 1, 2009, all companies established outside of the EU are required to have an Economic Operator Registration and Identification (EORI) number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration. All U.S. companies should use this number for their customs clearances. If a U.S. company wishes to apply for AEO status or apply for simplifications in customs procedures within the EU, it must first obtain an EORI number. Companies should request an EORI number from the authorities of the first EU member state to which they export. Once a company has received an EORI number, it can use it for exports to any of the 28 EU member states. There is no single format for the EORI number.

More information about the EORI number can be found at http://ec.europa.eu/taxation_customs/dds2/eos/eori_home.jsp?Lang=en

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

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

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

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

Additional information on the MRA can be found at:
http://www.cbp.gov/newsroom/national-media-release/2013-02-08-050000/eu-us-fully-implement-mutual-recognition-decision

Batteries

EU battery rules changed in September 2006 following the publication of the Directive on batteries and accumulators and waste batteries and accumulators (Directive 2006/66). This Directive replaces the original Battery Directive of 1991 (Directive 91/157). The 2006 Directive applies to all batteries and accumulators placed on the EU market including automotive, industrial and portable batteries. It aims to protect the environment by restricting the sale of batteries and accumulators that contain mercury or cadmium (with an exemption for emergency and alarm systems, medical equipment and cordless power tools) and by promoting a high level of collection and recycling. It places the responsibility on producers to finance the costs associated with the collection, treatment, and recycling of used batteries and accumulators. The Directive also includes provisions on the labeling of batteries and their removability from equipment. In 2012, the European Commission published a FAQ document to assist interested parties in interpreting its provisions. For more information, see our market research report: http://www.buyusainfo.net/docs/x_4062262.pdf

REACH

REACH, "Registration, Evaluation and Authorization and Restriction of Chemicals", is the system for controlling chemicals in the EU and it came into force in 2007 (Regulation 1907/2006). Virtually every industrial sector, from automobiles to textiles, is affected by this policy. REACH requires chemicals produced or imported into the EU in volumes above 1 metric ton per year to be registered with a central database handled by the European Chemicals Agency (ECHA). Information on a chemical's properties, its uses and safe ways of handling are part of the registration process. The next registration deadline is May 31, 2018. U.S. companies without a presence in Europe cannot register directly and must have their chemicals registered through their importer or EU-based 'Only Representative of non-EU manufacturer'. A list of Only Representatives (ORs) can be found on the website of the U.S. Mission to the EU:
http://export.gov/europeanunion/reachclp/index.asp

U.S. companies exporting chemical products to the European Union must update their Material Safety Data Sheets (MSDS) to be REACH compliant. For more information, see the guidance on the compilation of safety data sheets:
http://echa.europa.eu/documents/10162/17235/sds_en.pdf

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

WEEE Directive

EU rules on Waste Electrical and Electronic Equipment (WEEE), while not requiring specific customs or import paperwork, may entail a financial obligation for U.S. exporters. The Directive requires U.S. exporters to register relevant products with a national WEEE authority or arrange for this to be done by a local partner. The WEEE Directive was revised on July 4, 2012 and the scope of products covered was expanded to include all electrical and electronic equipment. This revised scope will apply from August 14, 2018 with a phase-in period that has already begun. U.S. exporters seeking more information on the WEEE Directive should visit:
http://export.gov/europeanunion/weeerohs/index.asp

RoHS

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

Cosmetics Regulation

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

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

For more general information, see:
http://export.gov/europeanunion/accessingeumarketsinkeyindustrysectors/eg_eu_044318.asp

Agricultural Documentation

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

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

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. The U.S. fishery product sanitary certificate is a combination of Commission Decision 2006/199/EC for the public health attestation and of Regulation 1012/2012 for the general template and animal health attestation. Unlike for fishery products, the U.S. shellfish sanitation system is not equivalent to that of the EU's. The EU and the U.S. are currently negotiating a veterinary equivalency agreement on shellfish. In the meantime, the EU still has a ban in place (since July 1, 2010), that prohibits the import of U.S. bivalve mollusks, in whatever form, into EU territory. This ban does not apply to wild roe-off scallops.

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

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

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

U.S. Export Controls

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Most high-tech technology can be sold to Hungary without an U.S. export license, but some remain controlled. Depending on the product, export licenses may be issued by 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, a U.S. firm should ensure that they do not commit to a delivery date until an export license has been approved.

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

The items that BIS regulates are often referred to as "dual use" since they have both commercial and military applications. Further information on export controls is available at: http://www.bis.doc.gov/index.php/regulations/commerce-control-list-ccl

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR. These are posted at:
https://www.bis.doc.gov/index.php/enforcement/oee/compliance/23-compliance-a-training/51-red-flag-indicators

Also, BIS has "Know Your Customer" guidance at:
https://www.bis.doc.gov/index.php/enforcement/oee/compliance?layout=edit&id=47

If there is reason to believe that a violation is taking place or has occurred, report it to the Department of Commerce by calling the 24-hour hotline at 1(800) 424-2980, or via the confidential lead page at:
https://www.bis.doc.gov/index.php/component/rsform/form/14-reporting-violations-form?task=forms.edit

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

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

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

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

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

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

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

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

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

Alternatively, search the Commerce Department's Market Research Library, available from: under Country and Industry Market Reports.

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

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

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

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

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

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

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

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

- The Security and Safety Amendment to the Customs Code, which provides for full computerization of all procedures related to security and safety;

- The Decision on the paperless environment for customs and trade (Electronic Customs Decision) which sets the basic framework and major deadlines for the electronic customs projects;

- The Modernized Community Customs Code which provides for the completion of the computerization of customs.

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

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

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

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

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

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

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

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

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

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

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

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

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

There are also export guides to import regulations and standards available on the Foreign Agricultural Service's website: http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/certification/fairs-export-certificate-report/

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

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

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

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

3. CEN, European Committee for Standardization, handling all other standards

(http://www.cen.eu/cen/pages/default.aspx)

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

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

To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. Other than their respective annual work plans, CEN's "what we do" page provides an overview of standards activities by subject. Both CEN and CENELEC offer the possibility to search their respective database. ETSI's portal (http://portal.etsi.org/Portal_Common/home.asp) leads to ongoing activities.

The European Standardization system and strategy was reviewed in 2011 and 2012. The new standards regulation 1025, adopted in November 2012, clarifies the relationship between regulations and standards and confirms the role of the three European standards bodies in developing EN harmonized standards. The emphasis is also on referencing international standards where possible. For information, communication and technology (ICT) products, the importance of interoperability standards has been recognized. Through a newly established mechanism, a "Platform Committee" reporting to the European Commission will decide which deliverables from fora and consortia might be acceptable for public procurement specifications. The European standards bodies have been encouraged to improve efficiency in terms of delivery and to look for ways to include more societal stakeholders in European standardization.

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

Conformity Assessment Return to top

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

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

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification system is known as the Keymark. Neither CENELEC nor ETSI offer conformity assessment services.

Product Certification Return to top

To sell products in the EU market of 28 member states as well as in Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. There is no easy way for U.S. exporters to understand and go through the process of CE marking, but hopefully this section provides some background and clarification.

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

The CE marking addresses itself primarily to the national control authorities of the member states, and its use simplifies the task of essential market surveillance of regulated products. As market surveillance was found lacking, the EU adopted the New Legislative Framework, which went into force in 2010. As mentioned before, this framework is like a blueprint for all CE marking legislation, harmonizing definitions, responsibilities, European accreditation and market surveillance.

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

Accreditation Return to top

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

"European Accreditation" (http://www.european-accreditation.org) is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible to appropriate EN and ISO/IEC standards.

Publication of Technical Regulations Return to top

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

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

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

Labeling and Marking Return to top

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

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

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

- List of ingredients must show all ingredients (including additives) in descending order of weight as recorded at the time of their production and designated by their specific name. In case some products encompass ingredients likely to cause allergic reactions or intolerances, a clear indication has to be given on the label with the word “contains” followed by the name of the ingredient. However, this is not necessary provided the specific name is included in the list of ingredients.
- Net quantity in metric units
- Date of minimum durability – not required for wine and beverages containing more than 10% alcohol by volume
- Special conditions for storage or use (if applicable)
- Name or business name and address of the manufacturer, packager or importer established in the European Union
- Country of origin or provenance (if outside the EU)
- Alcohol content for beverages containing more than 1.2% by volume
- Lot identification with the marking preceded by the letter "L".

The following information must appear in Hungarian on the label of cosmetics:

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

EU REGULATIONS

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

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

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

Key Link: http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/prepacked-products/index_en.htm

The Eco-label

The EU eco-label is a voluntary label which U.S. exporters can display on products that meet high standards of environmental awareness. The eco-label is intended to be a marketing tool to encourage consumers to purchase environmentally-friendly products. The criteria for displaying the eco-label are strict, covering the entire lifespan of the product from its manufacture, use, and disposal. These criteria are reviewed every three to five years to take into account advances in manufacturing procedures. There are currently 13 different product groups, and more than 17000 licenses have been awarded.

Applications to display the eco-label should be directed to the competent body of the member state in which the product is sold. The application fee will be somewhere between EUR 275 and EUR 1600 depending on the tests required to verify if the product is eligible, and an annual fee for the use of the logo (typically between USD 480 to USD 2000), with a 20% reduction for companies registered under the EU Eco-Management and Audit Scheme (EMAS) or certified under the international standard ISO 14001. Discounts are available for small and medium sized enterprises (SMEs).

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

Contacts

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National Institute of Standards & Technology
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Standards Coordination Office
100 Bureau Dr.
Mail Stop 2100
Gaithersburg, Maryland 20899
Tel: (301) 975-5627
Website: http://ts.nist.gov/Standards/Global/about.cfm

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

CENELEC – European Committee for Electrotechnical Standardization

Avenue Marnix 17
B – 1000 Brussels, Belgium
Tel: 32.2.519.68.71
Fax: 32.2.519.69.19
Website: http://www.cenelec.eu

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

SBS – Small Business Standards

4, Rue Jacques de Lalaing
B-1040 Brussels
Tel: +32.2.285.07.27
Website: under development (http://www.ueapme.com/spip.php?rubrique220)

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

ECOS – European Environmental Citizens Organization for Standardization
Rue d'Edimbourg 26
B – 1050 Brussels, Belgium
Tel: 32.2.894.46.55
Fax: 32.2.894.46.10
Website: http://www.ecostandard.org

EOTA – European Organization for Technical Assessment (for construction products)
Avenue des Arts 40
B – 1040 Brussels, Belgium
Tel: 32.2.502.69.00
Fax: 32.2.502.38.14
Website: http://www.eota.be/

Trade Agreements Return to top

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 Return to top

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

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

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

ECHA: http://echa.europa.eu

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

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

Electronic Customs Initiative: Decision N° 70/2008/EC
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:023:0021:0026:EN:PDF

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

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

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

International Level:

What is Customs Valuation?:
http://ec.europa.eu/taxation_customs/customs/customs_duties/declared_goods/european/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 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF

Pre Arrival/Pre Departure Declarations:
http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/prearrival_predeparture/index_en.htm

AEO: Authorized Economic Operator:
http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/aeo/index_en.htm

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

New Approach Legislation:
http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=directive.main

Cenelec, European Committee for Electro-technical Standardization:
http://www.cenelec.eu/

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

CEN, European Committee for Standardization, handling all other standards:
http://www.cen.eu/cen/Pages/default.aspx

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

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

CEN – Sector:
http://www.cen.eu/work/areas/Pages/default.aspx

CEN - Standard Search:
http://esearch.cen.eu/esearch/

Nando (New Approach Notified and Designated Organizations) Information System:
http://ec.europa.eu/enterprise/newapproach/nando/

Mutual Recognition Agreements (MRAs):
http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=mra.main

European Co-operation for Accreditation:
http://www.european-accreditation.org/home

Eur-Lex – Access to European Union Law:

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

Standards Reference Numbers linked to Legislation:
http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/index_en.htm

What's New:
http://ec.europa.eu/enterprise/news/index_en.htm

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

NIST - Notify U.S.:
http://www.nist.gov/notifyus/

Metrology, Pre-Packaging – Pack Size:
http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/prepacked-products/index_en.htm

European Union Eco-label Homepage:
http://ec.europa.eu/environment/ecolabel/

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

Agricultural Trade Barriers:
http://www.usda-eu.org/

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

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

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

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

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

Overview of EU Certificates:
http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/certification/fairs-export-certificate-report/

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

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

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

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

Hungary maintains an open economy and attracting foreign investment remains important for the Hungarian government. Hungary is an EU member with strong legal protection of investment, receiving approximately USD 98 billion in FDI since 1989. The automotive, software development and life sciences sectors have received the most investment. The Hungarian Investment and Trade Development Agency (HITA) operating under the State Secretary for Foreign Affairs and External Economic Relations in the Prime Minister's Office has the primary government responsibility for attracting FDI to Hungary. The Hungarian government encourages investments in both manufacturing and high-value added sectors such as research and development centers, manufacturing facilities and service centers. Hungary's high-quality infrastructure, labor force, and central location are often cited as features that can make it an attractive destination for investment. Despite these advantages, some businesses assert that obstacles to investment remain and FDI has lagged in recent years.

Hungary had been a leading destination for FDI in Central and Eastern Europe, reaching a peak in 2005 with USD 7.4 billion of FDI inflow. FDI inflows in 2008 were promising, reaching USD 6.96 billion, although the pace of inflows has particularly slowed since the 2008 global financial crisis and Hungary's relative advantage compared to regional competitors has diminished. In 2010, FDI had dropped to USD 1.97 billion as companies became more cautious about committing to large investments. Hungary showed some signs of FDI growth in 2013, with FDI reaching USD 4.62 billion, although this was largely reinvestment by existing companies with relatively few new investors to the market. 2013 FDI levels were still well below those in 2005, 2006 and 2008. Countries within the EU account for 72.2% of total FDI, while the United States is the largest non-European investor with 4% of FDI (there are approximately 200 companies in Hungary of U.S. origin). The economy has showed signs of recovery -- after GDP fell 1.7% in 2012, it grew 1.1% in 2013 and is expected to grow 2% in 2014. The

government also reduced its fiscal deficit to under 3% of GDP, a result that allowed Hungary to exit the EU's Excessive Deficit Procedure (EDP) in 2013, while also paying off its debts to the IMF early. That same year, Hungary's debt management agency returned to international markets by issuing foreign currency-denominated bonds for the first time in 21 months.
Obstacles to investment include a persistent lack of transparency and predictability, reports of corruption and excessive red tape. Hungary received a poor rating – coming in 20th of 28 EU member states -- in Transparency International's 2013 Corruption Perceptions Index. In January 2014, the Hungarian government made a surprise announcement they were awarding a USD 17 billion nuclear construction project to a Russian state-owned company after indicating to interested foreign investors since December 2010 that they were planning an open tender for bids.

Since 2010 the government has passed a number of tax changes, such as reductions in personal income and business tax rates, purportedly to increase Hungary's regional competitiveness. However, Hungary also implemented a number of so-called "crisis taxes" to reduce its budget deficit in order to exit the EDP. These taxes, along with other regulatory measures and fees, targeted certain sectors including banking, energy, telecommunications, and large-sized retail operations. The GOH also made -- over the objections of the private sector energy firms affected -- three successive mandatory cuts in the regulated price of household utilities, several utility companies decided to accept a government buyout of their holdings as a result. Originally billed as "extraordinary measures" that would last only three years, the taxes in the financial and energy sectors remain, and the re-elected Fidesz government shows no signs that they plan to eliminate these taxes. Many affected firms have said that the government adopted these measures with little to no consultation with other stakeholders. Hungary remains a relatively open place to invest with significant investor protections, but these and other government interventions have generated some concern among the industries affected

Openness to Foreign Investment

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Attitude Toward FDI

Hungary maintains an open economy and attracting foreign investment remains important for the Hungarian government. The Hungarian government established the Hungarian Trade and Investment Agency on January 1, 2011 to encourage foreign companies to invest in Hungary, facilitate bilateral trade, and support the activity of Hungarian small and medium sized enterprises (SMEs). Hungary had been a leading destination for FDI in Central and Eastern Europe, and FDI inflows reached a 2005 peak of USD 7.7 billion. FDI inflows in 2008 reached USD 6.96 billion, although the pace of inflows has particularly slowed since the 2008 global financial crisis and Hungary's relative advantage compared to regional competitors has diminished. In 2010, FDI had dropped to USD 1.97 billion as companies became more cautious about committing to large investments. Hungary showed some signs of FDI growth in 2013, with FDI reaching USD 4.62 billion, although this was largely reinvestment and few new investors entered the market. Germany is the most significant country of origin -- contributing 22% of all Hungary's FDI -- followed by Austria (14%) and the Netherlands (13%). The United States is the largest non-European investor with 4% of FDI. The automotive, software development and life sciences sectors receive the most investments. FDI stock in Hungary amounted to USD 111 billion as of the end of 2013. There are approximately 200 companies in Hungary of U.S. origin, although the figure is closer to 800 if

representation offices, sales offices, and sole proprietorships owned by U.S. citizens are considered.
The Hungarian government encourages investments in both manufacturing and high-value added sectors such as research and development centers, manufacturing facilities and service centers. The government also believes that considerable opportunities exist in biotechnology, information and communications technology, software development, the automotive industry, and tourism. Considerable efforts have been made by the National Innovation Office (NIH) to promote the expansion of small and medium sized enterprises and startups in information and communication technology.

Hungary's high-quality infrastructure, labor force, and central location are often cited as features that make it an attractive destination for investment. Despite these advantages, some businesses complain that obstacles to investment remain. These include a persistent lack of transparency and predictability, reports of corruption (particularly in government procurement and construction) and excessive red tape. Since 2010 the government has passed a number of tax changes, such as reductions in personal income and business tax rates in order to increase Hungary's regional competitiveness. Some tax increases, such as so-called “crisis taxes” to reduce the budget deficit below 3% of GDP and exit the EU’s excessive deficit procedure (EDP), have adversely affected some businesses. (Note: Hungary was under the EU’s EDP procedure since 2004 when it joined the EU. The European Commission lifted the EDP in 2013, after the GOH budget deficit fell to less than 3% of GDP for two consecutive years. End Note.) These taxes, along with other regulatory measures and fees passed in 2012, targeted certain sectors including banking, energy, telecommunications, and large-sized retail operations.

Originally billed as “extraordinary measures” that would last only three years, the re-elected Fidesz government will likely continue the taxes in the financial and energy sectors to offset lower revenue from reduced personal income tax rates. The GOH has even increased these taxes in recent years. As of January 1, 2013 the government increased the “Robin Hood tax” -- a tax on energy companies’ earnings before taxes -- from 11% to 31%, increasing the effective total tax rate (when including the 19% corporate tax rate) for energy service providers from 30% to 50%. The same day, the GOH introduced a Financial Transaction Tax, even though the banking sector as a whole posted losses in 2012 and 2013. The GOH also implemented a new public utility tax on water and sewer pipelines, natural gas, heat and electricity lines and telecommunications lines.

Since the GOH introduced many of the tax measures with little to no consultation with affected businesses, many foreign companies expressed displeasure with the unpredictability of Hungary’s tax regime, and the retroactive nature, speed and volume of legal and tax changes. Some companies operating in Hungary have also claimed that the recent “crisis taxes” are inconsistent with EU regulations since they target certain industries/sectors over others and do not reflect the costs of regulating the affected sectors. While the taxes affect Hungarian and non-Hungarian firms in those sectors equally, they appear to target sectors with mostly foreign firms. Both the EU and the IMF criticized the taxes and requested they be phased out as they distort competition, reduce foreign investment and economic growth, and offset the economic benefits of cuts in personal and corporate tax rates. The EU launched infringement procedures against the telecommunication tax implemented in 2010, and elevated it to the European Court of Justice at the end of 2012. In July 2013, however the European Commission

(EC) dropped legal action against Hungary over the special telecom tax, after the European Court of Justice made an unfavorable ruling in a similar case involving France. These same sectors are often targeted by the GOH in political and populist rhetoric, with Prime Minister Orban himself telling supporters during a March 15 rally that Hungary had proved that it was strong because it had battled the "world of money" in a reference to GOH actions to target banks and financial institutions. Other GOH officials have publically commented that companies in those sectors that earn "unfair profits" would be less welcome as investors in Hungary. The current government has remained positive towards foreign investors that are involved in manufacturing for export, and has not target these firms to date for extraordinary taxes.

Investment Trends

Hungary is slowly emerging from the 2008/2009 global financial and Euro crisis. Except for a 1.7% drop in GDP in 2012, Hungarian growth has slowly increased following a 6.8% decline in 2009. The IMF expects 1.1% GDP growth in 2013 followed by a moderate 2% in 2014.

GOH-mandated cuts in regulated public utility prices and government schemes to rescue foreign currency denominated mortgage holders have slowly lifted domestic demand, which economic analysts believe could contribute to GDP growth. Exports remain the main engine of the Hungarian economy and amount to 80% of GDP. Germany is the country's largest export destination and over the past few years Hungary maintained a trade and current account surplus.

Following a successful return to the global financial markets in February 2013 (after almost two years of not issuing foreign currency bonds), in August 2013 Hungary repaid the remaining portion of the 20 billion Euro (USD 26 billion) financial stabilization package it borrowed in October 2008 from the European Union (EU), the International Monetary Fund (IMF), and the World Bank. The GOH issued more foreign currency bonds in November 2013 and most recently USD 3 billion in dollar bonds in March 2014.

International credit rating agencies lowered Hungary's government bond ratings in 2011 and 2012 to non-investment grade in response to the government's windfall taxes, nationalization of mandatory private pension savings and the elimination of the independent Fiscal Council. As the economy seems to slowly recover, Standards and Poor's raised Hungary's long-term sovereign debt from negative to stable in March 2014.

Other Investment Policy Reviews

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. Financial markets are highly developed and smoothly operating, and reflect a level of sophistication indicative of an early reformer in the region.

Parliament drafted a new Constitution that came into force on January 1, 2010 – which as of April 2014 has been amended five times. The New Hungarian Constitution guarantees private ownership, right of enterprise, and freedom of competition, in addition to guaranteeing full and immediate compensation for any property expropriated by the Hungarian state. In November 2010 Parliament moved to restrict tax and budgetary matters from the Constitutional Court's purview so that no legislation can be ruled unconstitutional if it affects government revenue.

The Ministry of Economic Affairs established the ITDH (Investment and Trade Development Agency in Hungary) in 1993 to help companies make major investments in the country. On January 1, 2011, ITDH's economic development responsibilities were transferred to the Hungarian Investment and Trade Development Agency (HITA) operating under the Ministry of National Economy. In April 2013, HITA was moved from the purview of the Ministry of National Economy to the Prime Minister's Office, now operating under the State Secretary for Foreign Affairs and External Economic Relations. HITA is smaller in size than the former ITDH. The government has a National Development Program II (NDPII) for channeling EU development funds and the Smart Hungary investment incentive program, aimed at facilitating investments in key areas -- especially in less developed regions.

The Investors' Council -- made up of the 100 largest foreign investors -- is intended as a mechanism to maintain Hungary's economic competitiveness and attractiveness to foreign investors. It is co-chaired by the Minister of Economy, the American Chamber of Commerce, the German Hungarian Chamber of Commerce, the Hungarian Joint Venture Association, the Hungarian Association of International Investors, and the Permanent Commission of EU Chambers. The Council was revived in 2011 after a period of dormancy and continues to meet regularly.

Since July 2012 the Hungarian government has signed 43 "strategic agreements" with key investors in Hungary, including several U.S. companies. According to government officials, these appear designed to ensure investment-friendly relations between foreign firms and the Hungarian government, but generally do not commit the companies or governments to specific actions and/or targets. These agreements are seen by some companies as providing special access to the government, and have led to a concern that some companies do receive special treatment and others have difficulties obtaining access to decision makers.

Laws/Regulations of FDI

There are significant protections for property and investment. Article XIII of the Hungarian Constitution that states that that the Hungarian state may only expropriate property in exceptional cases where there is a public interest, that any such expropriations must be carried out in a lawful way, and that the Hungarian government is obliged to make immediate and full restitution for any expropriated property without any additional stipulations or conditions.

The most notable legislation in force that protects 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 non-Hungarian investors will be treated in the same manner as Hungarian 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.

A substantial body of other laws also protects foreign investment in Hungary, provides equal treatment under Hungarian laws, and enables profit repatriation. Institutions and procedures are in place to ensure compliance with legislation and competition rules. Most important are the 2006 Law on Business Organizations, the 2009 Law on Enterprise, the 1992 law on transforming state companies into economic associations, the 1996 Competition Law, and the 1995 Privatization Law. Other significant laws include the 1991 Law on Bankruptcy, the Law on Securities, and the 1994 Law establishing the Commodity Exchange Legislation. These laws do not differentiate between domestic and foreign investors, treating all investors equally. Commercial law in Hungary is well developed; however, most analysts see both a need to continue to revise the corporate legal code and to improve the judicial and administrative capacity for enforcing it. There continue to be complaints from foreign investors about the slow pace of the judicial system.

Limits on Foreign Control

Up to 100-percent foreign ownership is permitted with the exception of designated "strategic" holdings in some defense-related industries and farmland. Since 2012, the government has been trying to raise state owned energy company MVM's share in the energy sector through regulatory measures and buyouts. Government-imposed utility price cuts in 2013 and 2014 may also push international investors out of Hungary's energy sector. A new law that would require all utility companies to be non-profit is being drafted and expected to be submitted to Parliament in 2014. According to the new waste management law passed in 2012, waste management companies shall be in state or municipal majority ownership after January 2014. Ownership of water pipeline and sewage grids is limited to the state or municipality. Foreigners investing in financial institutions and insurance companies must officially notify the government but do not need advance authorization. Foreign financial institutions may operate branches and conduct cross-border financial services in Hungary, in keeping with OECD commitments. Currently, foreign firms control two-thirds of the manufacturing sector, 59% of the financial sector, 90% of the telecommunications sector, and 60% of the energy sector. The private sector currently produces about 80% of Hungary's economic output.

The Hungarian State Holding Company (MNV) became the legal successor to the Hungarian Privatization and State Holding Company (APV) in 2008, and is responsible for managing and privatizing state-owned properties. With most state-owned companies now privatized, the pace of privatizations has slowed considerably in recent years. Government rhetoric may even point to a reversal: in March PM Orban told supporters and a Chamber of Commerce and Industry meeting that at least half of the banking sector should be in Hungarian hands. The GOH appears to be moving toward that goal: analysts say windfall taxes, the financial transaction tax, and government rescue schemes designed to ease burdens of foreign currency mortgage holders have resulted in several foreign-owned banks considering the sale of their Hungarian business units, including German owned MKB (Hungarian Foreign Trade Bank), Austria's Raiffeisen Bank, and Italian owned CIB. The Hungarian-owned network of Savings Cooperatives is also now under government ownership.

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

Under the Investment Act, a company incorporated in Hungary may only acquire real estate "required for its economic activities," but this has been liberally interpreted and has not prevented foreign entrepreneurs from engaging in property development. According to the new Land Law passed in 2013 and which entered force on May 1, 2014, only private Hungarian citizens or EU citizens resident in Hungary with a minimum of three years of experience working in agriculture or those holding a university degree in an agricultural field can purchase farmland. Both will be limited to purchasing at most 300 hectares. All others may only lease farmland; non-EU citizens and legal entities are not allowed to purchase agricultural land. All land purchases must be approved by a local land committee and Hungarian authorities. For those who do not fulfill the above requirements or for legal entities, the law allows the lease of farmland up to 1200 hectares for a maximum of 20 years.

Competition Law

TABLE 1: The following chart summarizes Hungary's rank in several well-regarded indices.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	(47 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(51 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(54 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(31 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 12,380	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies Return to top

The Hungarian forint (HUF) has been convertible for essentially all business transactions since January 1, 1996, and foreign currencies are freely available in all banks and exchange booths. Hungary complies with all OECD convertibility requirements and IMF Article VIII. 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. In 2001, Hungary adopted an exchange rate intervention band of +/-15% around a benchmark rate against the Euro. In order to allow the Hungarian National Bank (MNB) to exclusively focus on its inflation target of 3%, in February 2008 the MNB adopted a free-floating exchange rate regime. Since then, market forces determine the exchange rate of the HUF to the Euro and other currencies. The Hungarian Central

Bank has been maintaining an inflation-targeting policy under the leadership of Gyorgy Matolcsy, nominated Bank Governor in March 2013. During his tenure, the Bank has cut Hungary's prime rate aggressively from 7% in August 2012 to 2.5% today.

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

Short-term portfolio transactions, hedging, short and long-term credit transactions, financial securities, assignments and acknowledgment of debt may be carried out without any limitation or declaration. While the Forint remains the legal tender in Hungary, parties may settle financial obligations in a foreign currency. Many Hungarians took out mortgages denominated in foreign currency prior to the global financial crisis, which became a major issue for the government after the Forint depreciated against the Swiss Franc and the Euro. Despite strong pressure, the Hungarian Supreme Court ruled that there is nothing inherently illegal or unconstitutional in loan agreements that are foreign currency denominated, upholding existing contract law.

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

Expropriation and Compensation

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

Dispute Settlement

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Legal system, Specialized Courts, Judicial Independence, Judgment of Foreign Courts

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

Hungary also established the National Court Administration Office (OBH) and invested significant authority in the OBH President. The OBH President is nominated by the Hungarian President, approved by a two-thirds Parliamentary majority and serves a nine-year term. Under the revised judicial system, the OBH President's responsibilities include judicial appointment recommendations, court leadership decisions and caseload distribution. The OBH President was given the authority to choose the venue for specific cases in order to ensure timely proceedings, although that power was removed when the Fifth Amendment was adopted on September 16, 2013. Domestic and international observers have voiced concerns regarding the independence of the judiciary.

Bankruptcy

The Act on Bankruptcy Procedures, Liquidation Procedures and Final Settlement of 1991, amended several times, covers all commercial entities except banks (which have their own regulatory statutes), trusts, and state-owned enterprises to bring Hungarian legislation in line with EU regulations. Bankruptcy proceedings can only be initiated by the debtor provided he/she has not sought bankruptcy protection within the previous three years. Within 90 days of seeking bankruptcy protection, the debtor must call a settlement conference to which all creditors are invited. Majority consent of the creditors present is required for all settlements. If agreement is not reached, the court can order liquidation. The Bankruptcy Act establishes the following priorities of claims to be paid: 1) liquidation costs; 2) secured debts; 3) claims of the individuals; 4) social security and tax obligations; 5) all other debts. Creditors may request the court to appoint a trustee to perform an independent financial examination. The trustee has the right to challenge, based on conflict of interest, any contract concluded within 12 months preceding the bankruptcy.

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

International Arbitration

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

In November 2013, Hungary's largest hydrocarbon company MOL filed a request for arbitration with ICSID in order to launch arbitration proceedings against the Croatian government for breaching certain of its obligations and undertakings in relation to MOL's investments in Croatia.

Performance Requirements and Incentives Return to top

Hungary has a well-developed incentive system for investors, the cornerstone of which is a special incentive package for investments over a certain value (typically over 10 million Euro, or USD 13 million). The incentives are focused on investors establishing manufacturing facilities, logistics facilities, regional service centers, R&D facilities, bioenergy facilities, or tourist facilities. Incentive packages may consist of cash subsidies, development tax allowances, training subsidies, and job creation subsidies. The incentive system is compliant with EU regulations on competition and state aid and is administered by the Hungarian Investment and Trade Development Agency and managed by the Ministry of National Development.

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. 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 (USD 4,300,000). 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. To comply with European Union rules, the government of Hungary no longer grants tax holidays based on investment volume.

Under the 2007-2014 Multiannual Financial Framework (MFF), the EU allocated Hungary 22.4 billion Euro (USD 29.5 billion) to implements it's National Development Plan. Many observers note that EU funds have financed the majority of public investment in recent years.

The process of obtaining visas, residence permits, and work permits can be lengthy and tedious but does not inhibit foreign investors' mobility. Employment of foreign nationals must meet Hungarian Labor Code requirements.

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

Right to Private Ownership and Establishment

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

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 2006, which compels registry courts to process applications to register limited liability and joint-enterprise companies within 15 workdays. 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 was raised by the new Civil Code (effective in March 2014) from 500,000 HUF (USD 2,250) to 3,000,000 HUF (USD 12,950). For private limited companies the minimum capital is set at 5,000,000 HUF (USD 21,580), for public limited companies 20,000,000 HUF (USD 86,300). As of July 1, 2008 businesses may be established in one hour electronically or by a simplified registration procedure. Lowering administrative burdens and red tape was also included in the 2013 budget.

Protection of Property Rights

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

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

The United States and Hungary signed a Comprehensive Bilateral Intellectual Property Rights (IPR) Agreement in 1993 that addresses copyright, trademarks and patent protection. A subsequent industrial property and copyright law entered into force on July 1, 1994 that significantly strengthened the domestic patent system. A new Copyright

Law passed in June 1999 made necessary technical changes required by the WTO TRIPS Agreement.

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

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

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

Trademarks may be granted for any product-distinguishing sign capable of being graphically represented. They are issued for ten years and are renewable. The Hungarian Intellectual Property Office (HIPO) is in charge of patent revocation and trademark invalidity proceedings, while all disputed related to the infringement of IPR fall under the jurisdiction of the courts.

In May 2004 the United States Trade Representative (USTR) announced that Hungary was placed upon the Special 301 Watch List of countries due to weak enforcement and inadequately protected confidential pharmaceutical test data. The government of Hungary has taken steps towards more complete implementation of its international obligations by implementing a ministerial decree to provide data exclusivity protection for pharmaceutical products authorized in the EU or Hungary after April 11, 2001. Due to this and other measures, USTR removed Hungary from the Special 301 Watch List in 2010.

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

In January 2008, the GOH established a National Board Against Counterfeiting and Piracy (HENT), led by a government commissioner, the Hungarian Intellectual Property Office (HIPO), and the Ministry of Justice (MOJ). HENT has participation from law enforcement and other government agencies, various business chambers, industry associations, and NGOs. The Board established a strategy until the end of 2010, which was approved by the government in October 2008. Since its creation, the HENT has undertaken a number of positive measures to increase training of judicial law enforcement officials, improve coordination between rights-holders and law enforcement officials, and increase public awareness of the importance of intellectual property rights protection. Ongoing areas of concern include internet-based piracy and the failure of judges to impose deterrent-level sentences for civil and criminal IP infringement. In January 2011 HENT was reorganized by a governmental decree and given a legal framework for its operation. HENT is in the process of establishing a new strategy to meet current IPR challenges.

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

Transparency of Regulatory System

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

According to a 2014 study of Budapest Corruption Research Center, the number of new laws passed by Parliament increased, while the average time spent debating new laws in Parliament decreased significantly in the past few years. In 2011 the number of laws amended within a year of Parliamentary approval quadrupled compared to the period of 2006-2008, and preliminary research shows that the trend remained the same in 2012 and 2013. Some see the increase in amendment activity as a result of the lack of time to adequately consult and debate new laws.

In 2010, Parliament passed a new Act on Legislation and a new Law Soliciting Public Opinion. The new laws require the government to publish the draft laws on its webpage and give adequate time for all interested parties to give an opinion on the draft. Implementation is not uniform: The government neglected to solicit discussion for several laws, such as a draft law on the Central Bank (which the European Central Bank criticized), the changes in disability pensions, the law on higher education or the new Land Law. Furthermore, as mentioned previously, companies in industries impacted by the crisis taxes have complained repeatedly that the business sector was not consulted before new taxes were announced, and that the government failed to take into account industry concerns. In some cases, the GOH took a course of action contrary to what it had indicated to business: in January 2014, the Hungarian government made a surprise announcement they were awarding a USD 17 billion project to expand the country's only nuclear power plant at Paks to a Russian state-owned company after frequent public statements made since December 2010 in which the government stated that they planned an open tender for bids.

In January 2012, a new, shorter and more flexible Public Procurement Act came into force. Reports indicate 4,063 procurement procedures in 2012 under the new Act. Most were negotiated procedures without public announcements, something allowed under the new law if the procurement value does not exceed 150,000,000 HUF (USD 647,000). The current Hungarian government extended the law to investments financed by the Hungarian Development Bank and increased the number of open tenders.

Government entities requesting bids must post information on their websites about the project and results of the public procurement process. Additionally, bids need to indicate all subcontractors and how they will participate in the project. The new law also reduces the amount of paperwork for bidders. Some experts consider the new Public Procurement Act too liberal and thus susceptible to corruption; for example, transparency NGOs point to evidence that Government offices broke up tenders to be under the limit requiring a public announcement, or interpreted public interest and security exceptions more broadly. Meanwhile, examinations of awards by transparency advocates appear to suggest State-owned or other companies with strong government connections still seem to have an advantage over private market players for public tenders. Companies operating in sectors with subsidies and price controls also appear to be affected by insufficient transparency and responsiveness to the setting of prices or subsidies. According to Transparency International's (TI) National Integrity Study, systemic corruption adds as much as 20-25% to the costs of government procurement. A Freedom House study estimated that only 10% of government procurements are transparent. Government procurement reform is a major topic of discussion among foreign chambers of commerce and business entities. These groups have provided their suggestions to the GOH for inclusion into draft legislation.

TI noted that in October 2013, the Parliament passed a law on reporting issues of public interest, commonly referred to as a "whistleblower protection law." According to TI, in practice the new law lacks adequate protection for those reporting corruption.

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 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 Return to top

Hungary has a 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), a consolidated financial supervisor regulating all financial and securities markets. To increase its ability to foresee financial sector problems, Parliament passed a package of modifications to increase PSZAF's authority in December 2009 and October 2010. These include stricter regulations on loans for private individuals, better information about exact loan conditions and costs, and a code of ethics for banks. These changes are designed to prevent individuals from taking on loans they are unlikely to be able to repay and provide better protection for those who wish to change their loan conditions. In December 2010, Parliament empowered PSZAF to pass decrees, which created a strong two-pillar system of control by the Central Bank and the PSZAF over the financial sector. Tasks related to the establishment of the European Systemic Risk Body and the European System of Financial Supervisors was delegated to the PSZAF. In 2013 Hungary's Central Bank absorbed PSZAF and overtook all of its functions, including customer protection.

Prior to the global financial crisis, capital adequacy was not an issue in Hungary. Funds were readily available for businesses due in large part to a large foreign presence and significant competition in the banking sector. Since the crisis, banks have increased their capital adequacy ratios above the required 8%. However, credit is harder to obtain. Lack of confidence in financial markets over the past two years has affected Hungarian banks, and the government has curtailed lending in foreign currency by stipulating that only those who earn in foreign currency can take foreign currency denominated loans. Forint loans to businesses are hard to obtain as well, as the requirement to decrease the loan-to-deposit ratio is forcing banks to promote deposits and lend to less risky sectors. At the end of 2012, Hungary's loan-to-deposit ratio was down to 110%, compared with 170% in 2008. Foreign investors continue to have equal -- if not better --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.

Competition from State-Owned Enterprises (SOEs)

Since the 1990s there has been considerable privatization of former state-owned enterprises. Today, a few SOEs remain primarily in strategic sectors such as national security, energy (MVM) and transportation. However, in the past year and a half, the government tried to make investments in areas outside the scope of national interest, such as the telecommunications sector or the production of machinery. Nevertheless, we have heard few complaints from private companies regarding competition from SOEs.

Since mid-2012, a number of government measures has made it more difficult for energy companies to operate and the government has publicly stated its interest in nationalizing some private firms. In 2013 the government purchased E.ON's wholesale and gas storage divisions and bought RWE's retail gas company, Fogaz.

According to a study conducted by the Budapest Corruption Research Institute and TI Hungarian SOEs scored 46 points on a scale of 100 as regards to meeting transparency obligations in terms of data published on their websites, integrity, Codes of Ethics, and internal control systems.

Corporate Social Responsibility (CSR)

Since the mid-1990s, corporations began to pay more attention to social responsibility. Foreign investors in Hungary over the long-term have "imported" their CSR policies and models, which local Hungarian corporations have also begun to adopt. According to a survey conducted by CSR Hungary, 55% of businesses have a CSR policy and 44% of businesses think that CSR increased their competitiveness. The Hungarian Business Leaders Forum (HBLF), a non-profit representative body of local and international business leaders in Hungary, considers CSR as part of its mission. Since 2006 CSR Hungary -- the country's largest CSR forum -- has held several conferences every year, where corporate managers, researchers and university students exchange information and an annual CSR award is presented. According to Nielsen Global Omnibus research over 60% of Hungary's adult population prefers companies committed to CSR, exceeding the 54% average in the EU. In 2006 the government signed a strategic resolution to reinforce employers' social responsibility.

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 say they have negotiated with the Ministry of Health with little effect on the price and reimbursement policies, and therefore view current government plans for pharmaceutical subsidies as impractical.

Even with deregulation, some sectors -- particularly in energy -- operate under regulated prices. According to the Amendment on Electricity and Gas Act passed by Parliament in June 2010, the Ministry for National Development, in consultation with the Hungarian energy regulator, sets the price regime of universal service providers (USPs) quarterly. USPs have seen their profit margins squeezed when the set price is below the price of imported gas. The government- imposed utility price cuts in 2013 and 2014 resulted in most Hungarian USPs operating in the red.

Since mid-2012, the government has implemented two cuts to regulated utility prices, making it increasingly difficult for private energy companies to operate. In 2014, the government announced that it was planning to bring a law to parliament that would mandate that all utility firms must be non-profit. As a result of this, E.ON sold its wholesale and gas storage divisions to the government and RWE sold its retail gas company, Fogaz.

The 1996 Offering of Securities, Investment Services and Securities Exchange Act, and the 1990 Securities and Stock Exchange Act govern the public issuance and trading of bonds, shares and other securities. The Budapest Stock Exchange (BSE) has 37 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 March 2014 amounted to 56.9 billion Euro (USD 73.9 billion), of which shares amount to 13.1 billion Euro (USD 17.0 billion) and government bonds and treasury bills amount to 38.0 billion Euro (USD 49.4 billion). Average daily turnover was 23.5 million Euro (USD 30.5 million), which is 1% higher than in 2013. In November 2005, the BSE integrated the Commodity Exchange, creating a commodities section. In December 2010 the BSE listed a total of 68 issuers. These include 49 equity, 11 bond, 3 mortgage, 9 investment funds, one government bond and T-bill issuer, two investment and turbo certificate issuers, and one compensation note issuer, some of which issue several types of instruments. 71.4% of capitalization is concentrated in four companies (MOL, OTP, Magyar Telecom, and Richter), the "Blue-chips' which determine the Stock Exchange Index. Until November 2013 these were included in the MSCI's Emerging Market Index, when the New York based index provider decided to remove Magyar Telekom from among them.
In January 2010, the BSE became a subsidiary of the CEESEG AG holding company, which owns 50.45% of the BSE. In December 2013, the BSE switched to the Xetra trading system, which directly links companies listed on its platform to traders and investors of 18 European countries as well as offering a direct access to thousands of new instruments to Hungarian investors.

Political Violence

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Despite violent protests in 2006, political violence has not been characteristic in Hungary. The transition from communist authoritarianism to capitalist democracy was negotiated and peaceful, and free elections have been held since 1990. Hungary's economic troubles, however, have contributed to an increase in political extremism. In April 6, 2014 elections, an extreme ethnic nationalist and openly anti-Roma and anti-Semitic party -- Jobbik -- won 20.2% of the popular vote. The party had entered Parliament after the 2010 elections, and had supported or organized a series of marches in Roma villages under the guise of maintaining public order.

On January 13, 2014 a CIB Bank branch in Budapest was bombed by an unknown assailant. No one was injured. As of April 2014, the perpetrator of this attack has not been found and the motive behind the attack remains unknown. CIB is owned by Italian banking firm Intesa Sanpaolo.

Corruption

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The Hungarian Ministry of Public Administration and 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 the new Criminal Code effective July 2013 introduced stricter rules for corruption related crimes. Parliament also passed the Strasbourg Criminal Law Convention on Corruption of 2002 and the Strasbourg Civil Code Convention on Corruption of 2004. Hungary is a member of GRECO (Group of States against Corruption), an organization established by members of the Council of Europe to monitor the observance of their standards for fighting corruption.

Transparency International (TI) is active in Hungary. TI's 2013 Corruption Perceptions Index rated Hungary 47th out of 178 countries (1st being best), down from 46th in 2011. Among the 28 EU countries, Hungary ranked 20th -- behind regional peers like Estonia, Slovenia, Lithuania and Poland. TI commented that state institutions responsible for supervising public organizations are headed by people loyal to the ruling party, limiting their ability to serve as a check the actions of the government. After the GOH amended the Act on Freedom of Information in 2013, TI commented data on public spending would be more difficult to access, adding that rather than making progress, Hungary stepped back.

Giving or accepting a bribe is a criminal offense, as is an official's failure to report such an incident. Penalties can include confiscation of assets, imprisonment, or both. Since EU membership, legal entities can also be prosecuted. Conflict of interest legislation prohibits members of parliament from serving as executives of state-owned companies. 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. A 2003 law extended the State Audit Office's right to review businesses' government contracts and public-private transactions that were previously considered "business-confidential."

While legislation is in place, private companies and NGOs have expressed their concern about possible corruption in government procurement due to a lack of transparency and uneven implementation of anti-corruption laws. Non-governmental organizations, the business community, and foreign governments share many of these concerns, and maintain an ongoing dialogue with the government to improve conditions. The GOH set up an Anti-Corruption Coordination Board, led by the Ministry of Justice with participation from other government ministries, chambers and NGOs, which submitted a strategy and action plan to Parliament in 2008. This board disbanded in late 2009. In addition, observers have raised concerns about appointments of Fidesz Party loyalists as heads of quasi-independent institutions like the Media Council and the State Audit Office.

In December 2009, Parliament passed new measures designed to reduce corruption in public procurement. However, most of these measures have not been implemented. The government does not intend to set up new anti-corruption institutions but rather prefers to strengthen existing institutions. On January 1 2012, the Anticorruption Division of the Central Investigative Chief Prosecutor's Office increased the number of prosecutors specializing in high-profile corruption cases from eight to thirty-five.

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

Bilateral Investment Agreements Return to top

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

Hungary has bilateral investment treaties with the following countries: Albania, Argentina, Australia, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Chile, China, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, India, Indonesia, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Lithuania, Luxemburg, The former Yugoslav Republic of Macedonia, Malaysia, Moldova, Mongolia, Morocco, The Netherlands, Norway, Paraguay, Poland, Portugal, Romania, Russian Federation, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Thailand, Tunisia, Turkey, Ukraine, United Kingdom, Uruguay, Uzbekistan, Vietnam and Yemen.

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

In January 2014 Hungary signed a Foreign Account Tax Compliance Act (FATCA) with the U.S. to improve international tax compliance through mutual assistance in tax matters and the automatic exchange of tax information. The USG and GOH are also negotiating a totalization agreement that will eliminate double social security taxation and fill gaps in benefits for workers that have divided their careers between the United States and Hungary.

Strategic Agreements

In mid-2012 the government announced its plan to sign “strategic cooperation agreements” with key investors engaged mainly in manufacturing, with the aim that they continue operations in Hungary and contribute to growth and employment. As of April, 2014, 43 such agreements have been signed, including the following U.S. companies: Coca-Cola, Alcoa-Kofem Microsoft, GE, IBM, Jabil, Delphi, Hewlett Packard and National Instruments.

Taxation

Since April 2010, the government has made a number of significant tax changes. The government approved cuts in personal and corporate income tax rates, intending to spur economic growth. The personal income tax rate was reduced to 16% for all income groups. The corporate income tax rate was increased to 19% for a tax base above 500 million HUF (USUSD 2.1 million) and reduced to 10% below this threshold. In 2012 the government increased the VAT from 25% to 27%, the highest rate in the EU. At the same time, the government imposed temporary financial sector taxes and “crisis taxes” on the energy, telecommunications, and retail sectors. Retail companies pay up to 2.5% when tax bases exceed 100 million HUF (USUSD 426,000), telecommunications companies pay up to 6.5% when tax bases exceed 5 billion HUF (USUSD 21.5 million), and energy suppliers pay up to 1.05% for all tax bases. In November 2012, the government decided to increase the “Robin Hood tax” for energy companies from 11% to 31% as of January 1, 2013. The government also imposed a tax on electric wires, telecommunications cables, and pipelines including gas, water, and sewer pipes, adversely affecting companies operating in these areas.

The government recently announced that the bank tax amounting to 0.15% of banks’ 2009 balance sheet would continue, despite a 2012 agreement with the Banker’s Association to phase it out by 2014. In 2012 the government also introduced a financial transaction tax: 0.2% on all money transfers and 0.3% on cash withdrawals, which it doubled in 2013. In 2013 the eight largest banks incurred a combined loss of 162 billion HUF (USD 754 million), after paying 110 billion HUF (USD 512 million) in taxes. The situation, however, varies by bank: US-owned Budapest Bank increased profits by 30%, and other profitable banks include Citibank, OTP, K+H, and UniCredit. Erste Bank, Raiffeisen, MKB, and CIB were in the red.

The manufacturing sector however, is exempt from these “crisis taxes,” because the government considers manufacturing to be one of the driving forces of exports and growth, and a sector to encourage.

OPIC and Other Investment Insurance Programs Return to top

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

Labor

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Hungary's civilian labor force of 4.3 million is highly educated and skilled. Literacy exceeds 98% and about two-thirds of the work force has completed secondary, technical or vocational education. Hungary is particularly strong in engineering, medicine, economics, and science training. An increasing number of young people are attending U.S. and European-affiliated business schools in Hungary. Foreign language skills, especially in English and German, are becoming more widespread, yet Hungary still has the lowest level of foreign language proficiency in the EU. According to 2013 data of Eurostat, only 35% of Hungarians can speak at least one foreign language.

Hungary's unemployment rate decreased from a peak of 11.8% in March 2010 to 8.6% in 2014, which is lower than the EU average of 10.6% and slightly better than the OECD average. Hungary's labor participation rate is 58.1% -- low by European standards, but 3.5% higher than at the end of 2009. The employment rate for those aged 15-64 rose from 55% in 2011 to 60% by January 2014 but remains below the EU-average of 64.5%. Analysts note, however, that labor and employment figures include part-time public workers as well as Hungarians working abroad -- or 10% of the labor force. Despite high unemployment, certain sectors experience a continued shortage of skilled and well-educated employees. Regional differences in employment opportunities also prevail: the northwest and central regions of the country at times see shortages of skilled workers, particularly in the IT, financial and manufacturing sectors. East of the Danube, unemployment levels are above average even though the labor is cheaper. Wages in Hungary are significantly lower than those in Western Europe. Average Hungarian labor productivity is lower than the EU average, but greater than that of other Central and Eastern European economies.

To boost employment, the 2013 year budget earmarked 300 billion HUF (USUSD 1.36 billion) for job protection and promoting the employment of unskilled workers, women returning from maternity leave, and those under 25 or above 55 years of age. The government has also turned its focus to helping the education system adapt better to labor market requirements and is encouraging cooperation between higher education institutions and business. To achieve this goal, the government is reallocating state-funded scholarships from the humanities to the hard sciences and engineering with the aim of increasing the number of graduates in sought-after fields.

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

Roles of Government and Trade Unions

The tripartite National Council for Interest Reconciliation, which was previously charged with negotiating the minimal wage, was replaced by the National Economic and Social Council (NGTT) in 2011 (Law on the composition of the National Economic and Social Council XCIII/2011). The new Council's members are representatives of employers and employees, delegates of Hungary's historical churches and certain members of civil society. The organization does not include representatives of the government, and its decisions regarding the minimum wage and other labor regulations are no longer binding. The minimum wage is now set by decree after consultation with NGTT. In 2014 the minimum wage for unskilled workers is 101,500 HUF (USD 436) per month, for skilled workers 118,000 HUF (USD 507) per month.

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

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

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 Ministry of National Economy plans to nominate customs free zones, but currently there seems to be little demand for this. Possible sites could include Szekesfehervar, Gyor, Kecskemet, Miskolc, Zahony or Szombathely.

Foreign Direct Investment Statistics

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According to the Ministry for National Economy, foreign direct investment between 1995 and the end of 2013 amounted to 80.6 billion Euro (USD 111 billion), of which shares, other participation and reinvested income amounted to 67.8 billion Euro (USD 93.7 billion) and other capital was 12.8 billion Euro (USD 17.7 billion). Since a record high of 6.2 billion Euro (USD 7.4 billion) in 2005, annual FDI inflow has been declining -- from 5.5 billion Euro (USD 6.7 billion) in 2006 to 3.3 billion Euro (USD 4.4 billion) in 2011 -- except for 2012, when 6.9 billion Euro (USD 8.6 billion) of capital in transit and investors reallocations and 3.5 billion Euro (USD 4.3 billion) of reinvestment pushed FDI up to 10.4 billion Euro (USD 12.9 billion). Leading foreign investors include Germany, Austria, the Netherlands, and the United States. 72.2% of total FDI is from countries within the EU. Services account for 71.6% of investments, (management consulting: 32.3%, trade: 11.5%, real estate: 6.3%, banking 6%, telecommunication 4.2%, other services 3.5%, transport and warehousing 2.3%) Manufacturing accounts for 20.1%, and energy for 4.1%. Hungary has a reasonably significant level of foreign investment abroad, primarily through acquisitions in other Central and Eastern European countries. At the end of 2013 Hungarian foreign investment abroad amounted to 25.9 billion Euro (USD 35.8 billion), which includes 24 billion Euro (USD 33 billion) in shares, other participation and reinvested earnings. 32% of Hungarian FDI is directed to Central Eastern Europe. Half of Hungarian investment abroad is in services, and 13% in manufacturing.

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	USD 124.5	2012	USD 124.6	Host Country Stat. Source: KSH : http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qpt015.html International Stat. Source: World bank: http://databank.worldbank.org/data/views/reports/tableview.aspx
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	USD 2.3	2012	USD 6.0	Host Country Source: KSH: http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qpk003b.html U.S. Government Source: http://www.bea.gov/ Note: Hungarian data does not include U.S. FDI contributed by foreign subsidiaries of U.S. firms or U.S. firms not resident in the U.S.

Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	USD 9.4	2012	USD 20.3	Host Country Source: KSH: http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qpk005b.html U.S. Government Source: http://www.bea.gov/ Note: Hungarian data does not include Hungarian FDI that originates from Hungarian companies or Hungarian subsidiaries not resident in Hungary.
Total inbound stock of FDI as% host GDP (***calculate)***	2012	84%	2012	80.7%	Host Country Source: Ministry for National Economy and KSH International Source: World Bank

* Provide sources of host country statistical data used.

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	246,113	100%	Total Outward	180,915	100%
Luxembourg	36,276	15%	Switzerland	62,372	34%
Germany	25,444	10%	Luxembourg	51,629	29%
Ireland	24,749	10%	United States	25,637	14%
Canada	18,564	8%	Curacao	9,381	5%
United States	18,125	7%	Korea, Republic of	5,051	3%
"0" reflects amounts rounded to +/- USD 500,000. Source: IMF Note: The U.S. Department of Commerce, Bureau of Economic Analysis and the IMF have different methodologies regarding whether an investment is considered a portfolio investment or FDI, resulting in differences in measurement.					

TABLE 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, U.S. Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
World	7,330	100%	World	5,755	100%	World	1,574	100%
Luxembourg	2,656	36%	Luxembourg	2,366	41%	Luxembourg	291	18%
United States	1,145	16%	United States	958	17%	Austria	205	13%
Austria	791	11%	Austria	585	10%	United States	187	12%
Germany	501	7%	Germany	405	7%	Jersey	156	10%

Poland	400	5%	Poland	380	7%	Germany	97	6%

Source: IMF

Note: The U.S. Department of Commerce, Bureau of Economic Analysis and the IMF have different methodologies regarding whether an investment is considered a portfolio investment or FDI, resulting in differences in measurement.

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

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

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Chapter 7: Trade and Project Financing

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

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

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

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

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

Financial institutions whose controlling interest is owned by foreign professional investors constitute more than 90% of the registered capital of the sector including 35 commercial banks (see their list on the website of the Hungarian Banking Association -

(http://www.bankszovetseg.hu/). Only the Hungarian Development Bank and Eximbank, two banks with special governmental functions, remained in state ownership.

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

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

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

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

EU REGULATIONS

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

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

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

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

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

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

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

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EU financial assistance programs provide a wide array of grants, loans, loan guarantees and co-financing for feasibility studies and projects in a number of key sectors (e.g., environmental, transportation, energy, telecommunications, tourism, public health). A number of centralized financing programs are also generating procurement and other opportunities directly with EU institutions.

The EU supports economic development projects within its member states, as well as EU-wide "economic integration" projects that cross both internal and external EU borders. In addition, the EU provides assistance to candidate and neighbor countries.
The EU provides project financing through grants from the EU budget and loans from the European Investment Bank. Grants from the EU Structural and Investment Funds program are distributed through the member states' national and regional authorities. Projects in non-EU countries are managed through the Directorate-Generals Enlargement, Development and Cooperation (EuropeAid), Humanitarian Aid and Civil Protection (ECHO).

EU Structural and Investment Funds (ESIF)

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. For the period of 2014 – 2020, the EU has earmarked 352 billion euros for projects under the EU's cohesion policy. In addition to funding economic development projects proposed by member states or local authorities, EU Structural and Investment Funds (ESIF) also support specialized projects promoting EU environmental and socioeconomic objectives. Member states negotiate regional and "sectoral" programs with EC officials. For information on approved programs that will result in future project proposals, please visit: http://ec.europa.eu/regional_policy/index_en.cfm

For projects financed through ESIF, member state regional authorities are the key decision-makers. They assess the needs of their country, investigate projects, evaluate bids, and award contracts. To become familiar with available financial support programs in the member states, it is advisable for would-be contractors to develop a sound understanding of the country's cohesion policy indicators.

Tenders issued by member states' public contracting authorities for projects supported by EU grants are subject to EU public procurement legislation. All ESIF projects are co-financed by national authorities and many may also qualify for a loan from the European Investment Bank and EU research funds under Horizon 2020, in addition to private sector contribution. For more information on these programs, please see the market research section on the website of the U.S. Mission to the EU: http://export.gov/europeanunion/marketresearch/index.asp

The Cohesion Fund

The Cohesion Fund is another instrument of the EU's cohesion policy. Its 63 billion euro (2014-2020) budget will fund projects in two areas: Trans-European Network projects in transport infrastructure and environmental projects, including areas related to sustainable development and energy for projects with environmental benefits.

The fund will support projects in Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

These projects are, in principle, co-financed by national authorities, the European Investment Bank, and the private sector:
Key Link: http://ec.europa.eu/regional_policy/thefunds/cohesion/index_en.cfm

Other EU Grants for Member States

Another set of sector-specific grants offer assistance to EU member states in the fields of science, technology, communications, energy, security, 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 at: http://ec.europa.eu/grants/index_en.htm

External Assistance Grants

"Development and Cooperation – EuropeAid" is the Directorate–General (DG) responsible for implementing EU development policies through programs and projects across the world. Its website offers extensive information on the range of grant programs, the kind of projects that are eligible, as well as manuals to help interested parties understand the relevant contract law. However, participation in these calls for tender is reserved for enterprises located in the EU member states or in the beneficiary countries and requires that the products used to respond to these projects are manufactured in the EU or in the aid recipient country. Consultants of U.S. nationality employed by a European firm are allowed to participate. European subsidiaries of U.S. firms are eligible to participate in these calls for tender.
For more information: http://ec.europa.eu/europeaid/index_en.htm

The EU also provides specific Pre-Accession financial assistance to the accession candidate countries that seek to join the EU through the "Instrument for Pre-accession Assistance" (IPA). Also, the European Neighborhood Instrument (ENI) will provide assistance to countries that are the Southern Mediterranean and Eastern neighbors of the EU.

IPA II is the second EU program of support for political and economic reforms, preparing the beneficiaries for the rights and obligations that come with EU membership that are linked to the adoption of the *acquis communautaire* (the body of European Union law that must be adopted by candidate countries as a precondition to accession). These programs are intended to help build up the administrative and institutional capacities of these countries and to finance investments designed to aid them in complying with EU law. IPA II finances projects in: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Iceland, Kosovo,

Montenegro, Serbia, and Turkey. The budget of IPA II for 2014-20 is 11.7 billion euros. For more information, see:
http://ec.europa.eu/enlargement/instruments/overview/index_en.htm#ipa2

The European Neighborhood Policy program (ENPI) covers the EU's neighbors to the east and along the southern and eastern shores of the Mediterranean (i.e. Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the occupied Palestinian territory, Syria, Tunisia and Ukraine). The ENI budget is 15.4 billion euros for 2014-2020. Additional information can be found at: http://ec.europa.eu/world/enp/index_en.htm

Loans from the European Investment Bank

Headquartered in Luxembourg, the European Investment Bank (EIB) is the financing arm of the European Union. Since its creation in 1958, the EIB has been a key player in building Europe. As a non-profit banking institution, the EIB assesses reviews and monitors projects, and offers cost-competitive, long-term lending. Best known for its project financial and economic analysis, the EIB makes loans to both private and public borrowers for projects supporting four key areas: innovation and skills, access to finance for smaller businesses, climate action, and strategic infrastructure.

While the EIB mostly funds projects within the EU, it lends outside the EU as well (e.g., in Southeastern Europe, Africa, Latin America, and Pacific and Caribbean states). In 2013, the EIB loaned 75 billion euros for projects, an increase of 37% over 2012. The EIB also plays a key role in supporting EU enlargement with loans used to finance improvements in infrastructure, research and industrial manufacturing to help those countries prepare for eventual EU membership.

The EIB presents attractive financing options for projects that contribute to the European objectives cited above, as EIB lending rates are lower than most other commercial rates.
Projects financed by the EIB must contribute to the socioeconomic objectives set out by the EU, such as fostering the development of less favored regions, improving European transport and environment infrastructure, supporting the activities of SMEs, assisting urban renewal and the development of a low-carbon economy, and generally promoting growth and competitiveness in the EU. The EIB website displays lists of projects to be considered for approval. As such, the EIB website is a source of intelligence on upcoming tenders related to EIB-financed projects: http://www.eib.org/projects/pipeline/index.htm

For more information, see our report on the EIB:
http://export.gov/europeanunion/marketresearch/index.asp

Web Resources   Return to top

EU websites:

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

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

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

EU tenders Database: http://ted.europa.eu/TED/main/HomePage.do

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

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

U.S. websites:

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

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

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

OPIC: http://www.opic.gov

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

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

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

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Chapter 8: Business Travel

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Business Customs Return to top

Business customs are similar to those in the United States and Western Europe. Typical Hungarian business attire is a suit. Hungarians consider a personal relationship the basis of a business connection. Business lunches, receptions, and dinners are common. First introductions are often more formal than among Americans. Hungarians usually introduce themselves starting first with their family names followed by their first names. for example: Smith John. Business cards follow this convention as well unless printed in English. Hungarian business partners appreciate even small efforts in learning basic greetings in Hungarian. Around the Christmas holidays, Hungarian business people may exchange symbolic gifts generally worth less than USD10.

Travel Advisory Return to top

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

Visa Requirements Return to top

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

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 for one year. Stricter fraud-prevention measures imposed in recent years have made this process increasingly cumbersome. A number of businesses offer to obtain work permits and renewals for companies in Hungary. The American Chamber of Commerce in Hungary also offers these services to its members. U.S. companies that require travel of foreign businesspersons to the United States should be advised that security issues are handled via an interagency process.

Visa applicants should go to the following links:

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

Telecommunications Return to top

Telephone services, including long-distance phone calls, are reliable in Hungary. Budapest is served by three cellular phone providers, T-Mobile, Telenor and Vodafone. Hungary also has several Internet service providers, including: GTS Hungary, T-Home, UPC and Invitel. Free or paid WiFi is available at most hotels, restaurants and at many public places.

Transportation Return to top

Hungary has a well-developed transportation infrastructure which allows for speedy domestic travel. Railway lines crisscross the country and connect most cities. The "Inter-City" line provides first class express service to bigger cities. A hydrofoil ferries passengers on the Danube to Vienna and Bratislava.

Hungary's highways, albeit generally in good conditions, are undergoing continuous improvements to meet EU standards. There are 5 major express toll highways connecting Budapest with its neighboring countries Austria, Slovenia, Croatia, Serbia and Ukraine and motorways extending to Slovakia and Romania.
Budapest is served by an efficient public transportation system, based on four subway lines supplemented by a comprehensive bus, tram, and trolley system. Taxis are also readily available. It is advisable to phone for a taxi from one of Budapest's major companies, rather than hailing one off the street, as it helps to ensure the appropriate fare. As of 2013 taxis have a fixed tariff of 280 HUF/Km (0.95 EUR/Km) in addition to the one-off basic fee of 450 HUF (1.50 EUR) and waiting fee. A ride to the city center should typically cost around 6500 HUF (22 EUR) depending on traffic conditions. Airport shuttle offers reliable service and costs around USD 20. Direct shuttle buses - between the hotel quarter and the airport - is also available for travelers.

Language Return to top

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

Health

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

Local Time, Business Hours, and Holidays

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

Hungary celebrates the following holidays in 2014:
New Year's Day - January 1, 2014
Revolution Day - March 15, 2014
Easter Monday - April 1, 2014
Labor Day – May 1, 2014
Whit Monday May 20, 2014
National Day - August 20, 2014
Republic Day - October 23, 2014
All Saints' Day – November 1, 2014
Christmas Day - December 25, 2014
Boxing Day - December 26, 2014

Temporary Entry of Materials and Personal Belongings

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Duty-free status applies to personal belongings of visitors with permanent residency outside of Hungary. This includes what visitors carry or send into Hungary and intend to use during their stay. It also applies to personal belongings, except consumer durables, that permanent residents of Hungary take abroad for more than 24 hours but return. Duty-free status can only be claimed once a day. Hungarian law requires materials that temporarily enter Hungary with the intention of being returned to the United States, such as exhibition goods, to be delivered with ATA Carnet documentation and preregistered with the Hungarian Customs Authorities. Information and contact are available at the website of the Hungarian Customs and Finance Guard.

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

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http://travel.state.gov/content/passports/english/country/hungary.html
http://www.usembassy.hu
http://www.atacarnet.com
http://gotohungary.com/
http://visit-hungary.com/budapest
http://www.budapest.com/

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts Return to top

Hungarian Government, Ministries and Organizations

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

Council of Public Procurement:	http://www.kozbeszerzes.hu/
National Development Agency (Széchényi 2020):	http://palyazat.gov.hu/
National Tax and Customs Administration of Hungary:	http://en.nav.gov.hu/
National Media and Communications Authority:	http://english.nmhh.hu/
Hungarian Central Statistical Office:	http://www.ksh.hu/?lang=en
Hungarian Competition Authority:	http://www.gvh.hu/en/
Hungarian Export-Import Bank Rt:	http://exim.hu/en
Hungarian Energy & Public Utility Regulatory Authority:	http://www.eh.gov.hu/en/
Hungarian Intellectual Property Office:	http://www.sztnh.gov.hu/
Hungarian Investment and Trade Agency:	http://www.hita.hu/
Hungarian National Asset Management Inc.:	http://www.mnvzrt.hu/en/
Hungarian Trade Licensing Office:	http://mkeh.gov.hu/
The Central Bank of Hungary:	http://english.mnb.hu/

Hungarian Trade and Industry Associations

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

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

Senior Commercial Officer:	Dale Wright
Commercial Specialist:	Csilla Virágos
Commercial Specialist:	Bianka Nauzika Wallner
Commercial Specialist:	Zsófia Méhes
Administrative and Budget Analyst:	Andrea Szabo

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Fax: +36-1-475-4676
office.budapest@trade.gov
http://export.gov/hungary/

Market Research Return to top

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

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

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Trade Events in Hungary – 2014/2015

EDUCATIO - International Trade Fair for Education (Education & Training)
Dates: January 16th – 18th, 2014 (January 17th-18th, 2015)
Organizer**:** Educatio
http://www.educatio.hu/

AGROmashEXPO & AgrárgépShow – ***Agricultural Machine Show***
Dates: January 29th – February 1st, 2014 (January 28th – 31st, 2015)
Organizer: Hungexpo Zrt.
http://www.hungexpo.hu/agromashexpo

SZŐLÉSZET ÉS PINCÉSZET – ***Viticulture and Viniculture Exhibition***
Dates: January 29th – February 1st, 2014 (January 28th – 31st, 2015)
Organizer: Hungexpo Zrt.
http://www.szpkiallitas.hu

MAGYAR KERT – ***Hungarian Garden***
Dates: January 29th – February 1st, 2014 (January 28th – 31st, 2015)
Organizer: Hungexpo Zrt.
http://www.kertkiallitas.hu/

FeHoVa – ***Fishing, Hunting and Arms International Exhibition***
Dates: February 13th-16th, 2014 (February 12th-15th, 2015)
Organizer: Hungexpo Zrt.
http://www.fehova.hu

BUDAPEST BOAT SHOW
Dates: February 13th-16th, 2014 (February 12th-15th, 2015)
Organizer: Hungexpo Zrt.
http://www.boatshow.hu

ENERGOexpo 2014 – ***XI. International Exhibition and Conference for Energy***
Dates: February 20th-22nd, 2014
Organizer: V-Trade Kft
http://www.energoexpo.hu/?lng=eng

UTAZÁS – ***International Travel and Tourism Exhibition***
Dates: February 27th – March 2rd, 2014
Organizer: Hungexpo Zrt.
http://www.utazas.hungexpo.hu/

KARAVÁN SZALON – ***International Camping and Caravan Saloon***
Dates: February 27th – March 2rd, 2014
Organizer: Hungexpo Zrt.
http://www.karavanszalon.hu/

VITÁL EXPO – *Health Care and Pharmaceutical*

Dates: February 27th – March 2rd, 2014
Organizer: Hungexpo Zrt.
http://vitalexpo.hu

GOURMET BY SIRHA BUDAPEST – *Food and Catering Trade Show*

Dates: March 10th – 12th, 2014
Organizer: Sirha/Hungexpo Zrt.
http://www.sirha-budapest.com/?nyelv=1

RENEXPO CENTRAL EUROPE – *Renewable Energy and Energy Efficiency*

Dates: March 12th-13th, 2014 (March 11th -12th, 2015)
Organizer: REECO Hungary Kft.
http://www.renexpo-budapest.com/

BUDAPEST MOTOR FESZTIVÁL – *Budapest Motorbike Festival*

Dates: March 21nd-23th, 2014
Organizer: Hungexpo Zrt.-TUNING SHOW KFT.
http://www.motor.hungexpo.hu and http://www.tuningshow.hu

CONSTRUMA – *International Construction Exhibition*

Dates: April 2nd - 6th, 2014
Organizer: Hungexpo Zrt.
http://www.construma.hu

OTTHONDESIGN – *HomeDesign*

Dates: April 2nd - 6th, 2014
Organizer: Hungexpo Zrt.
http://www.lakberendezesesdesign.hu/

RENEO – *2nd International Exhibition of Renewable Energies*

Dates: April 2nd - 6th, 2014
Organizer: Hungexpo Zrt.
http://www.reneo.hu/

Ligno Novum - Woodtech – *Exhibition for Wood Industry*

Dates: April 2nd - 6th, 2014
Organizer: Hungexpo Zrt.
http://www.lignonovum.hu/lignonovum/en

BABY MARKT – *Baby Expo*

Dates: April 12th, 2014
Organizer: Hungexpo Zrt.
http://www.babaexpo.hu/

INTERNATIONAL BOOK FESTIVAL BUDAPEST

Dates: April 24th – 27th, 2014
Organizer: Hungarian Publishers' and Booksellers' Association
http://www.konyvfesztival.com/2014/kozonseg/index_angol.html

PlayIT SHOW – *Game, IT and Mobile Show*

Dates: April 26th, 2014
Organizer: PlayIT/Meex
http://playit.hu/

BEAUTY FORUM HUNGARY – *Cosmetics and Beauty Industry*

Dates: May 10th – 11th, 2014
Organizer: Health and Beauty Group/SYMA+SD Kft
http://www.beauty-kiallitas.hu/

INDUSTRY DAY – *Industrial, Automation, Machine Manufacturing, Welding, Chemical and Security Technology, and Logistical Expo*

Date: May 27th – 30th, 2014
Organizer: Hungexpo
http://www.iparnapjai.hu/

UPGRADE CONGRESS 2014 – *Dental Expo*

Date: May 27th – 30th, 2014
Organizer: Dental Press Hungary Kft.
http://www.upgradecongress.hu/

XXIII. FARMER-EXPO – ***National Agricultural & Food Industry Expo***

Date: August 17th – 20th, 2014
Organizer: V-Trade Kft
http://www.farmerexpo.hu/

IX. HORTICO – *Vegetable, Fruit and Gardening Exhibition*

Date: August 17th – 20th, 2014
Organizer: V-Trade Kft
http://www.farmerexpo.hu/

ECEBE – Eastern and Central European Broadcast Exhibition

Date: October 7th – 8th, 2014
Organizer: MKHSZ (Hungarian Cable Television and Telecommunication Ass.)
http://www.ecebe.eu/index.html

AUTOMOTIVE – *International Trade Exhibition for Automotive Industry Suppliers*

Date: November 5th – 7th, 2014
Organizer: Hungexpo
http://www.automotivexpo.hu/

BEAUTY HAIR & SPA CONGRESS & TRADE FAIR

Date: November 8th – 9th, 2014
Organizer: Health and Beauty Group/SYMA+SD Kft
http://www.beauty-kiallitas.hu/

***More events and exhibitions to be held in the fall will be published during the spring/summer 2014 period, so please check out the website of the trade show organizers listed below for future events.*

Some Trade Show Organizer Contact Information

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

SYMA+SD Kft.
1146 Budapest, Dózsa György út 1.
http://www.syma.hu/
Tele: +36-1-460-1102
szervezes@syma.hu

Budapesti Sportcsarnok Üzemeltető Kft. - Papp László Budapest Sportaréna:
1062 Budapest, Váci út 3.
1043 Budapest, Stefánia Út 2.
http://www.budapestarena.hu/html/index.php
Tel: +36-1-422-2600
info@budapestarena.hu

Millenáris
1024 Budapest, Kis Rókus u. 16–20.
http://www.millenaris.hu/
Tel: +36-1-336-4000
millenaris@millenaris.hu

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

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Chapter 10: Guide to Our Services

The U.S. Commercial Service is part of the U.S. Department of Commerce International Trade Administration, the official trade promotion agency of the U.S. Government. With industry experts in Washington, DC, 108 Export Assistance Centers located throughout the United States, and 77 offices in foreign countries, the Commercial Service is uniquely positioned to assist U.S. companies – large or small and medium sized -- with their exports. U.S. exporters are strongly encouraged to contact the Export Assistance Center nearest to their office where international trade specialists can answer questions about trade financing, shipping, market opportunities, product certification, trade events, etc. International trade specialists in the Export Assistance Centers work together with commercial specialists in foreign embassies to provide customized, borderless solutions tailored to meet each company's specific export objective. U.S. companies rely on the Commercial Service for country-specific as well as regional strategic advice, partner searches, market information and assessments, meetings with foreign officials and companies, due diligence on targeted partners, customized promotional events, U.S. government support in public tenders, assistance removing trade barriers, and much more.

To learn more about U.S. Government trade promotion resources for new and experienced exporters, please visit www.export.gov. For more information on the services the U.S. Commercial Service offers U.S. exporters in Hungary, please visit www.export.gov/hungary.

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

For information on other markets in Southeast Europe, contact:

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