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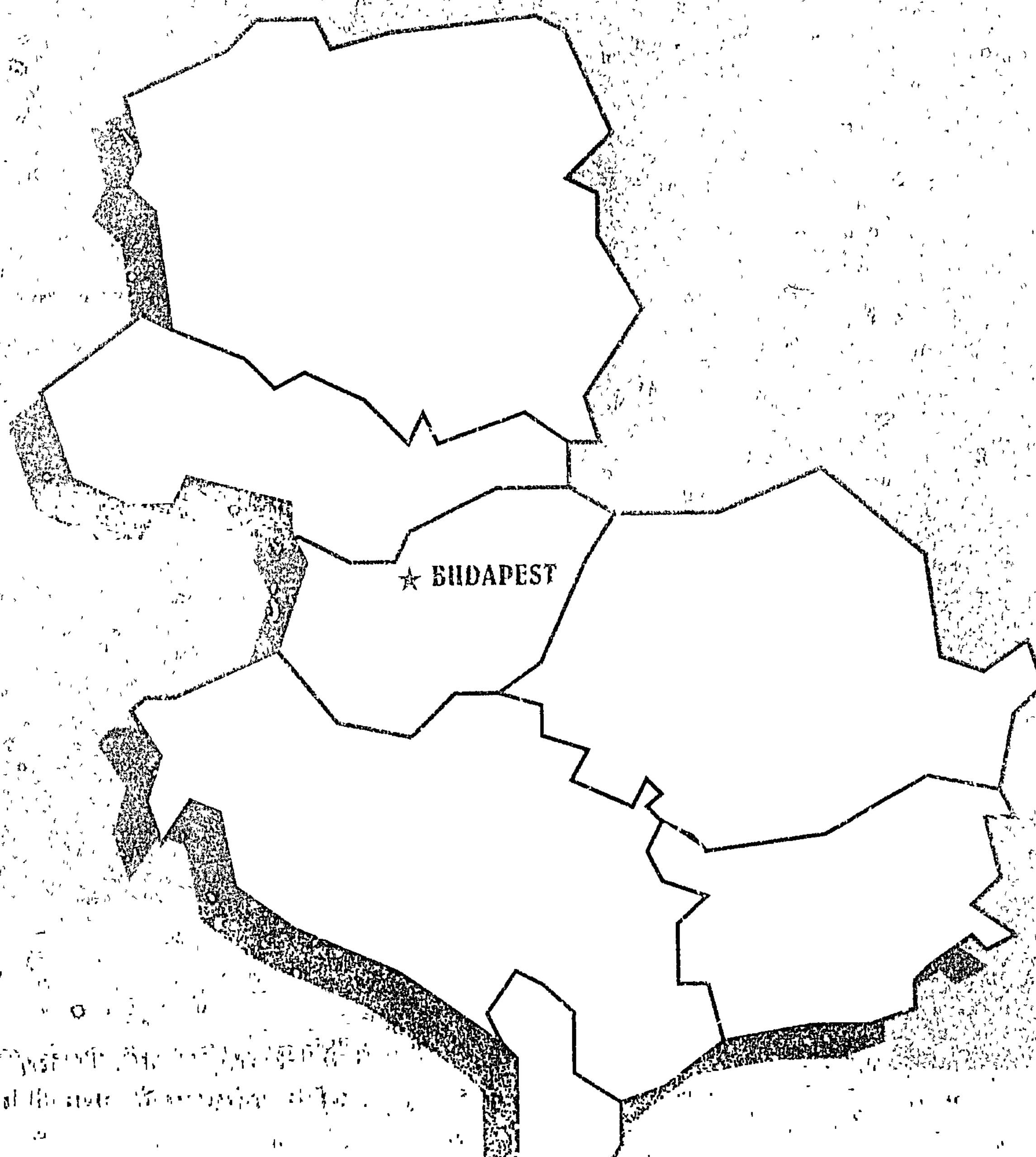
HUNGARY



INVESTMENT GUIDE TO HUNGARY

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U.S. Department of Commerce
International Trade Administration
Eastern Europe Business Information Center
In cooperation with the
U.S. Agency for International Development

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A. INTRODUCTION

Among the new democracies of Eastern Europe, Hungary has become one of the most attractive sites for foreign investment, especially U.S. investment. To date, U.S. companies have invested over half a billion dollars in Hungary, making the United States the leading Western investor there in value terms. Opportunities for further U.S. investment should increase as Hungary's new non-communist leadership implements its pledge to create a genuine market economy.

At present, however, the Hungarian economy and commercial climate are in a state of transition. As a result, the Hungarian market is uniquely challenging for the foreign investor. This guide is designed to provide U.S. companies with practical information on both the opportunities and challenges of investing in Hungary.

Because of the speed with which the economic and business environments are changing in Hungary, no single guide can be completely comprehensive or up-to-date. To obtain the most current information available on trade and investment in Hungary, U.S. companies can contact the Commerce Department's Eastern Europe Business Information Center (EEBIC):

Eastern Europe Business Information Center
Room 7412
U.S. Department of Commerce
Washington, D.C. 20230
tel: (202) 377-2645
fax: (202) 377-4473

Terminology

Throughout this report, the term "foreign-owned company" will be used to refer to any type of company incorporated in Hungary which is partially or wholly foreign-owned, including joint venture companies.

It should be noted that in most English-language translations of Hungarian foreign investment laws, the more cumbersome term "Hungarian company with foreign equity participation" is often used and corresponds to the term "foreign-owned company" as used in this report.

Exchange Rates

The Hungarian forint (Ft.) is not a freely convertible currency, but is set by the National Bank of Hungary in response to fluctuations in a pre-selected basket of Western currencies. At the date of this report's publication, the official U.S. dollar/Hungarian forint exchange rate is:

US$1 = 75.8 Hungarian forints

B. FOREIGN INVESTMENT TRENDS AND OPPORTUNITIES

1. Growth of Foreign Investment in Hungary

The Hungarian Government estimates that through April 1991, approximately 7,000 foreign-owned companies have been established in Hungary. The growth in the number of foreign investments in Hungary in recent years has been dramatic: through the end of 1988, only 200 foreign-owned companies had been established there.

While exact figures on the value of foreign investment in Hungary have yet to be released, the Hungarian Government estimates total foreign capital in Hungary at US$1.4 billion. The government also acknowledges that the United States is the leading foreign investor in Hungary in value terms (as opposed to number of foreign-owned companies, where Germany and Austria lead). U.S. investment in Hungary is estimated at approximately US$700 million.

According to the Hungarian Government, foreign partners hold a majority share of equity in about one-third of registered foreign-owned companies in Hungary. Approximately half of Hungary's foreign-owned companies are engaged in manufacturing; the rest are trade or service ventures. Most foreign-owned companies, especially in the trade and services sphere, are small (that is, less than half a million dollars total capitalization), although there are now several foreign-owned companies in Hungary, primarily with American partners, in which the foreign partner's contribution exceeds US$100 million.

2. Best Sectors for Foreign Investment

The following sectors of the Hungarian economy have attracted the most foreign investment to date and offer the best opportunities for future foreign investments as well:

•**Telecommunications**: Opportunities include the planned sale of up to half of the Hungarian Telecommunications Company (which operates the country's national system), joint ventures to provide cellular service, and the manufacture of switching and other telecommunications equipment.

•**Food processing and packaging**: Hungary is agriculturally self-sufficient and is a major producer and net exporter of processed foods (for example, processed meat, fruit preserves and juices, goose liver, prepared vegetables, and spices), but lacks technologically advanced processing and packaging techniques and equipment needed to build new export markets.

•**Computer hardware and software**: Hungary already possesses one of the most advanced computer industries in Eastern Europe. Opportunities abound in manufacturing, assembly, retail, and research and development.

•**Tourism**: Hungary, and especially Budapest, are very popular tourist destinations, but suffer from a severe shortage of hotel rooms. State-owned hotels and travel agencies are at the top of the list for privatization.

•**Automotive**: Several large foreign-owned companies have been established in Hungary to manufacture automotive components for export and for use in domestic assembly operations. Domestic demand for foreign passenger cars far exceeds current supply.

•**Pharmaceuticals**: Hungary is a major manufacturer and exporter of pharmaceuticals, but needs modern equipment and access to new product licenses to remain competitive on world markets. State-owned pharmaceutical manufacturers are being privatized rapidly. Expected legislation to improve domestic patent laws should further enhance investment prospects in this sector.

•**Financial services**: Many predict that Budapest is destined become a major regional center for international business. As Budapest's stature as a business hub grows, the need for supporting financial services such as commercial and investment banking, trade finance and brokerage, securities trading and brokerage, and insurance will grow as well. New legislation on financial services expected in 1991 should reduce legal and regulatory obstacles to foreign investment in this sector.

•**Real estate development**: Budapest already suffers from a severe shortage of office, housing, and warehouse space, which will worsen as more and more international companies locate there. Unclear ownership laws have hindered investment activity in this sector, but legislation expected in 1991 to clarify the status of properties nationalized by the Hungarian Government four decades ago will improve the legal framework for real estate development.

The issue of which sectors of the Hungarian economy are best for foreign investment may also be viewed from the standpoint of tax advantages. As will be discussed in detail in Section E.4--Company Taxation, foreign-owned companies operating in areas of the Hungarian economy designated as "priority sectors" by the Hungarian Government are eligible for substantial tax holidays.

3. Privatization and Foreign Investment

The Hungarian Government recently launched an ambitious campaign to privatize the country's state-owned economy. The government's goal is to reduce its current holdings of over 90 percent of Hungarian industry to approximately 30 percent by 1996. This massive sell-off of state assets creates unprecedented opportunities for foreign investment through the purchase of equity positions in Hungarian companies undergoing privatization.

Background on Privatization in Hungary

The first efforts to privatize Hungary's state-owned economy were begun by the former communist government with the enactment of the so-called Transformation Act (Act XIII of 1989 on the Transformation of Business Organizations and Companies). This act established the legal and procedural framework for state-owned companies to transform themselves into corporate entities, shares of which could then be sold to Hungarian or foreign buyers.

This initial privatization program allowed a large category of state-owned companies to initiate and handle their own sale, which came to be known in Hungary as "spontaneous" privatization. By the end of 1990, about 200 state-owned companies had spontaneously privatized themselves as allowed by the Transformation Act.

However, shortcomings in the concept of spontaneous privatization soon became apparent. Most significantly, the Transformation Act did not establish any mechanism to ensure that the sale of state assets would be accomplished through open, competitive bidding and that the government would obtain the best prices for its assets. Consequently, managers of state companies were often accused of selling state property for bargain-basement prices, sometimes for questionable motives.

These problems reached their height in March 1990, when the Hungarian Supreme Court struck down a deal to sell the well-known HungarHotels chain to a group of Swedish and Dutch investors, ruling that the bidding had been conducted improperly and that the company's assets had been sold at an unacceptably low price. Following this incident, the government established a new government agency, the State Property Agency (SPA), to handle future sales of state assets (the relevant statutes are Law VII of 1990 on the State Property Agency and Law VIII of 1990 on the Protection of State Property Entrusted to Enterprises).

Hungary's non-communist government that came to power in May 1990 has taken a number of steps to accelerate the privatization of state-owned companies. The government has given clear title of a large portion of state assets to the SPA, which helped to clarify the formerly troublesome issue of exactly what person or organization in Hungary owned, and therefore had the right to sell state property. Also, the government has authorized the SPA to utilize several new privatization methods, so that now there are a variety of paths that Hungarian state enterprises can take to private ownership, including: (1) spontaneous privatization; (2) SPA-initiated privatization; and (3) investor-initiated privatization.

Spontaneous Privatizations

The spontaneous privatization process, as under the former government, allows a Hungarian state enterprise to negotiate its own sale to domestic or foreign buyers. However, a new requirement has been added: once the state company and its prospective buyer have agreed upon the terms of the sale, they must obtain SPA approval before the transaction can be effected.

SPA-Initiated Privatizations

Under SPA-initiated privatization, which is probably the most complex method, the SPA itself initiates the privatization of state enterprises that it owns. The first step in this procedure is for the SPA to make a public announcement, usually done at an international press conference, that a specified group of companies is being offered for privatization and sale.

To date, there have been two such announcements, called programs. On September 14, 1990, the SPA announced the First Privatization Program, consisting of 20 state companies to be privatized. On December 3, 1990, the SPA launched the Second Privatization Program, which contained 20 more companies to be sold. The SPA plans to offer a new batch of 20 or so companies approximately every three to four months, with US$1.3-1.9 billion worth of assets to be put on the auction block by the end of 1991.

Following the announcement, the SPA accepts bids from consultants, banks, and accounting/audit firms to act as advisors (on a fee basis) for the privatization of each company on the program. To date, Western banking, consulting, and accounting/audit firms have been active in bidding on and winning these contracts to act as privatization advisors.

The primary job of the advisor is to prepare a detailed plan for privatizing the state company that it advises. The SPA then evaluates the plan and, based on this evaluation, chooses one of three mechanisms, or some combination thereof, to be used in privatizing the company:

•The public offering of shares through listing on a stock exchange (either the recently reopened Budapest Stock Exchange, or the Budapest exchange and a Western exchange simultaneously);

•Competitive tenders (either open or limited to pre-selected bidders); and

•Employee share ownership plans (ESOPs).

Once the SPA decides which mechanism(s) to use for selling equity in a state company, interested buyers -- both Hungarian and foreign -- may negotiate with the SPA and the advisor on acquiring a stake in the company. The competition among prospective buyers is closely monitored by the SPA, which retains ultimate authority to approve all asset sales.

Investor-Initiated Privatization

Investor-initiated privatization allows investors to initiate the privatization of a state-owned company by submitting a bid directly to the SPA to purchase the company. No prior contact between the bidding parties and the state company is necessary. The SPA then evaluates the bid, and if it is acceptable, the next step is to allow the state company's management and workers to vote on the bid. However, even if the state company does not endorse the bid, the SPA has the authority to overrule this decision, thus allowing something akin to a Western-style hostile takeover.

Bid Prices

No matter what privatization option is chosen, a critical and potentially contentious issue is the relationship between the bid prices offered for a state company and what the SPA believes is the "true value" of the company. Often, the SPA retains a Western audit/accounting firm (many of which have active offices in Budapest) to perform an independent valuation of the state company that is being offered for sale, which is then used as a benchmark for evaluating bids.

While the SPA is naturally interested in obtaining the best price for its assets, other factors are considered as well, including the buyer's strategic plan for the acquired company, the effect of the acquisition on employment, and the kinds of management and marketing expertise, technology, and financing that the buyer will provide.

It should also be noted that, in certain cases, the SPA may allow only a limited percentage of a company's equity to be sold to foreign investors, reserving the rest for domestic buyers.

The SPA currently maintains two offices in Budapest. The main SPA office handles general inquiries about privatization in Hungary and is the point of contact for U.S. companies involved in spontaneous or investor-initiated privatizations:

State Property Agency
1051 Budapest, Hungary
Vigado utca 6
tel: (36-1) 118-5044
fax: (36-1) 118-7115
Lajos Csepi, Managing Director

The SPA has also established an information office which administers the SPA-initiated privatization program:

State Property Agency Information Office
1074 Budapest, Hungary
Harsfa utca 21
tel: (36-1) 142-7734
fax: (36-1) 142-7337
tlx: 22-6564

4. Investment Funds

Another recent development that has broadened the range of options for investing in Hungary is the appearance of a number of private investment funds targeted specifically at Hungary or at Eastern Europe in general. Some of these funds will take direct equity positions in start-up or existing ventures in Hungary while others will use their capital to acquire shares in Hungarian companies offered on the Budapest Stock Exchange, which reopened in June 1990 after a 43-year suspension of activity. In some cases, these funds can assist U.S. firms seeking equity finance for investment projects in Hungary. Information on investment funds targeted at Hungary and/or Eastern Europe is available from major fund managers, investment banks, and brokers in the United States and Europe.

C. ESTABLISHING THE FOREIGN-OWNED COMPANY

1. Getting Advice

As part of its effort to attract foreign investment, the Hungarian Government has significantly streamlined the process of establishing a foreign-owned company in Hungary. Nevertheless, the establishment process can still pose problems for the would-be investor: lengthy, complex Hungarian-language forms must be completed and filed; delays in processing required registrations are not uncommon; and procedures are not completely transparent.

For these reasons, the usual practice in Hungary is to retain experienced local counsel to ensure that proper procedures are followed when establishing the foreign-owned company. Particularly recommended in this regard are American-based law, accounting, and consulting firms that have branch offices in Hungary, as such firms are familiar with business practices and regulations in both the United States and Hungary. A listing of such firms can be obtained from the Commerce Department's Eastern Europe Business Information Center.

2. Finding a Partner

There is no comprehensive list of Hungarian companies seeking foreign investment partners. However, a number of Hungarian organizations compile partial listings of investment opportunities or can help foreign companies identify potential investment partners in their industry sector. Examples include InvestCenter-TradeInform (an official investment and trade promotion office run by the Ministry of International Economic Relations), the Hungarian Chamber of Commerce, and the National Association of Industrial Cooperatives:

InvestCenter - TradeInform
1051 Budapest, Hungary
Dorottya utca 4
tel: (36-1) 118-8220, 118-6064
fax: (36-1) 118-3732
tlx: 22-5191
Gabriela Falus, General Manager

Hungarian Chamber of Commerce
Business Contact Service
1055 Budapest, Hungary
Kossuth L. Ter 6-8
tel: (36-1) 153-3333, 153-3853
fax: (36-1) 153-1285
tlx: 22-4745

National Association of Industrial
Cooperatives (OKISZ)
1146 Budapest, Hungary
Thokoly U. 58-60
tel: (36-1) 141-4752
fax: (36-1) 141-5521
tlx: 22-7576
Lajos Koveskuti, President

As part of its effort to encourage foreign investment, the Hungarian Government recently created a new office, the Investment and Trade Promotion Agency, within the Ministry of

International Economic Relations. This agency, among other things, provides potential foreign investors with information on specific companies and industries in Hungary, performs matchmaking services, dispenses advice on investment regulations and procedures, arranges appointments for prospective foreign investors with Hungarian counterparts, and administers an Investment Promotion Fund to help foreign-owned companies develop supporting infrastructure such as roads, electricity and water lines, and railroad links (for more on this fund, see Section E.6--Finance):

Investment and Trade Promotion Agency
1880 Budapest, Hungary
Honved utca 13-15
(letter address: 1055 Budapest, Hungary)
tel: (36-1) 153-0000
fax: (36-1) 153-2794
tlx: (61)225578
Janos Balassa, Joint Venture Department

For investment opportunities in Hungary's growing private sector, helpful Hungarian organizations include the National Association of Entrepreneurs and the Small Economic Enterprise Development Foundation:

National Association of Entrepreneurs
1118 Budapest, Hungary
Szuret u. 15
tel: (36-1) 185-3377
fax: (36-1) 182-0316
tlx: 22-3436
Janos Palotas, President

Foundation for Small Enterprise Economic Development
1119 Budapest, Hungary
Andor utca 60
tel: (36-1) 181-0590
fax: (36-1) 181-2959
Dr. Agnes Tibor, Managing Director

The U.S. Government also assists American companies seeking investment partners in Hungary. The U.S. Department of Commerce's Foreign Commercial Service office in Budapest can help identify and assess potential Hungarian investment partners in specific industry sectors and can provide information on Hungarian firms slated for privatization and sale to foreign investors:

U.S. Foreign Commercial Service

Gary Gallagher,
Senior Commercial Officer
Patrick Hughes, Commercial Officer
tel: (36-1) 122-8600, 122-1217
fax: (36-1) 142-2529

(for visits and appointments):
1062 Budapest, Hungary
Bajza utca 31

(for mail from the USA):
American Embassy - Budapest
U.S. Foreign Commercial Service
APO New York 09213-5270

(for international and express mail):
American Embassy (FCS)
1054 Budapest, Hungary
Szabadsag ter 12

The Overseas Private Investment Corporation (OPIC), which is a U.S. Government agency, maintains an

"Opportunity Bank" that lists Hungarian companies interested in investment projects with Western partners. OPIC also organizes investment missions to a number of countries in Eastern Europe, including Hungary:

Overseas Private Investment Corporation
Preinvestment Services - Opportunity Bank
1615 M Street, NW
Washington, D.C. 20527
tel: (202) 457-7010 or 1-800-424-6742
fax: (202) 331-4234
Eric Luhmann, Investor Services Officer

Another effective method for meeting potential investment partners is to participate in an international commercial fair in Hungary. Seventeen international commercial fairs will be held in Hungary in 1991 in such industry sectors as tourism, agricultural and food processing equipment, computers, automotive, and household appliances and consumer goods. (see Appendix C, Commercial Fairs in Hungary: 1991-1992) At several of these fairs, the Commerce Department's Foreign Commercial Service in Budapest will operate pavilions devoted exclusively to American companies and products.

Since 1988, a number of private American and Hungarian companies have begun offering a variety of business services in Hungary, including legal assistance, matchmaking, market research, accounting/audit, consulting, advertising, and freight forwarding. A representative list of such companies is available from the Commerce Department's Eastern Europe Business Information Center.

3. Surveying the Legal Framework

At present, the basic guidelines for foreign investment in Hungary are contained in the following five laws:

- Act No. VI of 1988 on Economic Associations as amended (hereafter referred to as the "Companies Act");

- Act No. XXIV of 1988 on the Investment of Foreigners in Hungary (hereafter referred to as the "Investment Act");

- Act No. XIII of 1989 on the Transformation of Business Organizations and Companies as amended (hereafter referred to as the "Transformation Act");

- Act No. XCVIII of 1990 on Amending Act. No. XXIV of 1988 on the Investment of Foreigners in Hungary (hereafter referred to as the "1990 Amendments to the Investment Act");

- Act No. VI of 1990 on the Public Issue of and Trade in Securities (hereafter referred to as the "Securities Act").

These laws constitute an indispensible source of information for would-be foreign investors. English-language copies of these and other laws can be obtained from the Commerce Department's Eastern Europe Business Information Center or from a number of government and private organizations in Hungary, including the Hungarian Chamber of Commerce, InvestCenter - TradeInform, and the Investment and Trade Promotion Agency.

4. Basic Legal Guarantees and Protections

Hungary's Investment Act guarantees national treatment for foreign-owned companies and offers basic protections against host government expropriation of foreign-owned assets.

National Treatment

Hungary's Investment Act guarantees national treatment for foreign-owned companies, meaning that foreign-owned companies and wholly Hungarian companies receive essentially equal treatment under the law. The purpose of this provision is to assure foreign investors that, from a legal/regulatory standpoint, they will not be subjected to any disadvantage vis-a-vis Hungarian companies.

There are a handful of exceptions to this general rule of national treatment, but most of these exceptions actually provide more favorable operating conditions for the foreign-owned company than for wholly Hungarian firms. For example, foreign-owned companies are eligible for important tax reductions that are not available to wholly domestic companies (see Section E.4--Company Taxation) and are exempted from certain state-administered wage controls (see Section D.1--Labor).

Protection Against Expropriation

The Investment Act states that foreign-owned companies in Hungary enjoy the full protection and security of the Hungarian Government. In case of expropriation or equivalent measures, the Hungarian Government will immediately compensate the investor for the real market value of the investment. Compensation is paid in the currency of the original investment.

In case of a dispute over the value of an expropriated investment, the act indicates that the foreign investor could challenge the valuation in Hungarian courts by bringing a complaint against the organization that carried out the expropriation. Also, both Hungary and the United States are members of the International Court for the Settlement of Investment Disputes (ICSID), located in Washington, D.C.

Companies should also note Hungary's good record in regard to expropriations: there have been no cases of seizure of foreign assets in Hungary since the early 1950s, and in 1973, Hungary settled all outstanding debts for U.S. assets expropriated in the early days of communist rule. Also, Hungary has signed bilateral investment treaties with 18 Western countries in which it has agreed to comply with internationally accepted norms on the treatment of foreign investment; it is currently negotiating a similar treaty with the United States. Moreover, U.S. investments in Hungary can be insured against expropriation (and other risks) by the Overseas Private Investment Corporation or by private insurance companies (see Section E.7--Insurance).

5. Company Forms and Activity

A foreign-owned company established in Hungary must take one of the six legal forms listed in the Companies Act:

- Company limited by shares (Reszvenytarsasag - Rt.)

- Limited liability company
  (Korlatolt felelossegu tarsasag - Kft.)

- General partnership
  (Kozkereseti tarsasag - Kkt.)

- Limited partnership
  (Beteti tarsasag - Bt.)

- Trade association
  (Egyeules)

- Joint company
  (Kozos vallalat - Kv.)

In general, the partners to a foreign-owned company are free to choose the legal form of their business. The main exception is that banking and insurance may be carried out only by a company limited by shares.

In practice, however, the great majority of foreign-owned companies established in Hungary have taken either the form of a limited liability company or a company limited by shares, with the former being the most popular. The other four forms are widely regarded as unsuitable for Western investors.

Foreign-owned companies may be established in any field of business activity, according to three basic methods:

(a) The establishment of a new company that is jointly owned by foreign and Hungarian partners (that is, a true joint venture);

(b) The acquisition of an equity stake in an existing company in Hungary (which may be a foreign-owned company, a company owned by the Hungarian Government that is in the process of being privatized, or a private company owned by Hungarians); and

(c) The establishment of a new company that is wholly owned by the foreign partner(s).

One important exception to (c) should be noted. A 100 percent foreign-owned company cannot be established in the fields of banking or insurance. Foreign owned companies in these fields must have a Hungarian state organization as a shareholding partner (although the law does not stipulate the level of state ownership required). New Hungarian legislation expected in 1991 on financial services will establish new regulations for foreign investment in this sector.

An existing foreign-owned company in Hungary may use its earnings to found or invest in other companies there. However, it is very important to note that in the case of such an investment, the second company does not take on legal status as a foreign-owned company, and therefore is not eligible for tax and other benefits reserved exclusively for foreign-owned companies (as described in Section E.4--Company Taxation).

Also worth mentioning is that the 1990 amendments to the Investment Act eliminated the discriminatory provision of the act that prohibited a foreign-owned company structured as a company limited by shares with majority foreign ownership from acquiring a controlling interest in another Hungarian company limited by shares.

6. Incorporation Documents and Capital

The key document that must be drawn up when founding a foreign-owned company in Hungary is the basic company contract, known as the articles of association. The content and form of the articles are dictated by the Companies Act.

The articles must be notarized and countersigned by a Hungarian lawyer or a qualified in-house legal advisor. If the company's capital endowment exceeds 50 million Ft. the articles must designate a chartered accountant.

The articles must be completed prior to registering the foreign-owned company with the Court of Firms (see Section C.8--Government Registrations). After completion of the articles, the company must register within 30 days.

It is highly recommended that the foreign-owned company engage an attorney experienced in both U.S. and Hungarian business law to oversee the process of drawing up the articles of association.

Capital contributions by the foreign partner(s) to a foreign-owned company in Hungary may be in cash or in a mixed cash/in-kind form.

Cash contributions must be in a convertible currency. However, a foreign shareholder to a foreign-owned company in Hungary may use forints obtained as a dividend from that company to found or invest in another Hungarian company. In such a case, the new company would enjoy status as a foreign-owned company and would be eligible for tax and other benefits reserved exclusively for foreign-owned companies (as described in Section E.4--Company Taxation).

In-kind contributions can be any negotiable asset or right, including capital equipment, real estate, a license or an intellectual property right. In-kind contributions from the foreign partner enjoy duty-free entry into Hungary.

However, according to the 1990 amendments to the Investment Act, if the foreign-owned company sells or rents any portion of an in-kind capital contribution within three years of bringing it into Hungary, the company will be obliged to pay import duties on the sold or rented capital retroactively.

While there is no minimum required contribution to a foreign-owned company by the foreign partner(s), there are total capitalization requirements for the two most common forms of foreign-owned companies formed in Hungary, the limited liability company and the company limited by shares. For the limited liability company, the incorporation capital must be at least 1 million Ft., while for the company limited by shares, the minimum initial share capital is 10 million Ft. In both cases, at least 30 percent (with an absolute minimum of 500,000 Ft.) of the incorporation capital must be paid in upon formation of the company.

In practice, Hungarian partners often offer real estate or some kind of real estate-connected right as their equity contribution to a foreign-owned company. In such cases, the foreign partner should take great care to ensure that the Hungarian partner actually possesses the legal right to dispose of the real estate that it is offering (see Section C.10--Property).

7. Government Approvals

As of January 1, 1991, approval from the Hungarian Government is no longer required to establish a foreign-owned company, even a company that is wholly owned by foreign partners.

The previously-existing requirement that a majority-foreign-owned company receive a joint license from the Ministry of

Finance and the Ministry of International Economic Relations prior to establishment was abolished by the 1990 amendments to the Investment Act. Minority-foreign-owned companies had been exempt from licensing since 1989.

8. Government Registrations

Registering at the Court of Firms

All foreign-owned companies in Hungary, regardless of the level of foreign ownership, must register at the Court of Firms (often translated as Court of Registration) in the county or municipality in which the company will operate. The Budapest Court of Firms, where the great majority of new joint ventures are registered, is located as follows:

Budapest Court of Firms
1064 Budapest, Hungary
Rozsa Ferenc utca 79
tel: (36-1) 112-1629

A foreign-owned company is required to register with the Court of Firms within 30 days of signing its articles of association. According to companies operating in Hungary, this deadline is not strictly enforced. Furthermore, if at any time in the future, the information supplied to the court by the foreign-owned company changes (for example, the name of the company, the level of foreign equity, the line of business, etc.), the company must report these changes to the court within 30 days.

To register, the foreign-owned company must complete an application form available at the Court of Firms. Because the application is lengthy, complex, and in Hungarian, and because there is no facility at the court to help a company register, the standard practice is to have an attorney complete the form and present it to the court. The application must be signed by the designated managing director of the new company in the presence of a notary public (a notary is available at the court).

The fee for registration is 2 percent of the foreign-owned company's capital, with a 5,000 Ft. minimum and a 60,000 Ft. maximum charge. There is an additional 10,000 Ft. charge to have the company's registration announced in the court's public listing, which is obligatory. All fees must be paid in stamps, which can be purchased at post offices or at the Court of Firms itself.

Certain documents must be submitted with the registration application, although these may differ according to the legal form taken by the company. The basic documents required are:

•Three copies of the articles of association, in due legal form and signed;

•Certification by the company's Hungarian bank that cash investments have been paid in;

•Declarations from foreign company officers that they have accepted appointment as officers; these declarations also should contain statements from each foreign officer that he/she has a clean police record in his/her home country; and

•Certification of the foreign parent company's incorporation overseas.

It should be noted that because of the rapid proliferation of new companies in Hungary, the Courts of Firms are struggling with a tremendous backlog of registrations, and this backlog can create delays in the processing of registrations of up to several months. This problem is especially severe in Budapest, where the majority of new companies are located, although delays are becoming more common in other major Hungarian cities such as Szeged, Pecs, and Gyor. Filing an incomplete or incorrect registration can lead to further delays, so it is important that registration forms be filled out and submitted correctly.

Because registration can take such a long time, a foreign-owned company is allowed to commence operations once its articles of association are signed and its application for registration is submitted to the Court of Firms. However, until the registration is processed by the court, the company's members face unlimited liability for any obligations entered into by the company. Registration, when processed, is retroactively applied to the company's activities.

Registering at the State Taxation Office

After registering with the Court of Firms, the company must register with the State Taxation Office (the Hungarian acronym is APEH). The central office of APEH is in Budapest, and there are branch offices in each of the 19 county seats:

State Taxation Office (APEH)
1096 Budapest, Hungary
Haman Kato ut 3-5

The department in APEH at which the company must be registered depends on the type of economic activity that it will perform. In the Budapest office of APEH, the phone numbers of the various departments are as follows:

•Heavy Industry Department
(Nehezipari osztaly)
(36-1) 114-3440

•Metal/Engineering Industries Department
(Kohoes Gepipari osztaly)
(36-1) 114-0217

•Construction Department
(Epitoipari osztaly)
(36-1) 113-0222

•Domestic & Foreign Trade Department
(Beles Kulkereskedelmi osztaly)
(36-1) 134-2117

•Transportation Department
(Kozlekedesi es Szolgaltato osztaly)
(36-1) 134-2753

•Agricultural Department
(Mezogazdasagi osztaly)
(36-1) 133-9367

9. Bank Accounts

Until 1987, banking activities in Hungary were monopolized by the state-owned National Bank of Hungary (NBH). In 1987, a comprehensive banking reform separated the credit and service functions of the NBH from its central banking functions and entrusted the credit and service functions to four commercial banks set up for this purpose (the number of commercial banks has since risen to 27). Competition among banks was encouraged, and commercial banks are now free to determine interest rates on their forint deposits and loans.

Even after the 1987 banking reform, all companies in Hungary, including foreign-owned companies, were required to carry out their foreign exchange transactions through a state-owned Foreign Trade Bank, which was closely supervised by the NBH. However, since March 1, 1989, all companies have been allowed to conduct their foreign exchange operations through any authorized commercial bank.

Foreign-owned companies are required to open a forint-denominated business account at a Hungarian bank (this can be a joint venture bank, although not an offshore bank), and must conduct most business transactions through this account.

If all or part of the foreign partner's equity contribution to the foreign-owned company has been made in convertible currency, this contribution may be held in a separate convertible currency-denominated bank account and may be used freely to purchase from abroad fixed assets, spare parts, and other goods and services needed for the company's business activity (which in turn may be imported duty free, although as mentioned in Section C.6--Incorporation Documents and Capital, import duties will be assessed retroactively on any items that are sold or rented within three years of entering Hungary).

For purposes other than holding equity contributions made in convertible currency, a foreign-owned company may not maintain a convertible currency bank account without special permission of the Hungarian National Bank.

10. Property

Real Property

According to the Investment Act, a foreign-owned company with a Hungarian partner may acquire real property that is necessary for the conduct of its business without government approval. The applicable definition of the company's business activity is found in its articles of association (see Section C.7--Incorporation Documents and Capital). A foreign-owned company also may acquire housing facilities for its employees.

The company may acquire real estate as an in-kind contribution from the Hungarian partner(s), or may purchase real estate after establishment of the company. All forms of real estate may be acquired, including buildings, warehouses, factories, retail outlets, capital equipment, and land. Acquired properties can be mortgaged, leased or sold, and can be developed in accordance with relevant zoning and building codes.

In practice, however, the issue of property acquisition by foreign-owned companies in Hungary has proven more complex due to the lack of well-defined property rights. Since the vast majority of land and industrial facilities in Hungary were nationalized by the communist government in the late 1940s, it is often very difficult for a foreign investor to determine exactly what person or organization has the right to dispose of any particular piece of property. The possibility of restitution claims by the former owners of nationalized properties presents an additional complication. New legislation expected in 1991 (the so-called Compensation Act) should clarify the status of a large segment of state-owned properties, but it is likely that some areas of legal ambiguity will remain.

Also, a foreign-owned company's request to acquire a piece of state-owned property must be approved by the executive committee of the relevant municipal or county government. Such approval is not automatic. However, if a company's request to acquire a piece of land is denied, it still may be possible for the company to obtain long-term usage rights to the land, which carries some of the same benefits as actual ownership.

The acquisition of property for speculative purposes is prohibited. Thus, a foreign-owned company may not buy and sell real estate as part of its normal business without special permission from the Hungarian Government.

A federal tax of 8 percent applies to the purchase of commercial (although not residential) properties in Hungary, levied against the purchase price and payable by the purchaser.

Intellectual Property

The basic Hungarian statutes governing the protection of intellectual property rights are:

•Act No. II of 1969 (as amended by Decree-Law No. V of 1983) on the Protection of Inventions by Patents;

•Act No. IX of 1969 on Trademarks;

•Act No. III of 1969 (as amended by Decree No. XXVII of 1978) on Copyrights; and

•Decree No. XXVII of 1978 on the Protection of Industrial Designs.

These laws provide protection for a wide variety of intellectual property rights including patents, trademarks, copyrights, and inventions. Hungary is also a member of major intellectual property conventions, such as the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, and the Madrid Agreement Concerning the International Registration of Trademarks.

However, it should be noted that a number of U.S. companies doing business in Hungary have experienced problems stemming from the lack of product patents for pharmaceuticals and chemicals available under Hungarian law. In particular, there have been instances of Hungarian companies copying U.S.-patented pharmaceuticals and chemicals and selling them in third markets.

U.S. companies should carefully assess the potential impact of Hungarian intellectual property laws on their business before preceding with an investment in Hungary. The most effective way to do so is to retain legal counsel in Hungary to advise the company on the Hungarian intellectual property regime. Also, the Hungarian Government's National Office of Inventions maintains a Patent Information Center, which can provide some information and assistance to Western companies on intellectual property issues:

National Office of Inventions
Patent Information Center
1370 Budapest, Hungary
P.O. Box 552
tel: (36-1) 112-4400
fax: (36-1) 131-2596

D. OPERATING THE FOREIGN-OWNED COMPANY

1. Labor

The Cost of Labor

The average gross industrial wage rate in Hungary is 10,000 Ft. per month (approximately US$132), which is quite low compared with average rates in the United States and Western Europe. In fact, low wage rates are one of the most attractive aspects of establishing a foreign-owned company in Hungary. However, it should be noted that foreign-owned companies often choose to pay wages that are 10-50 percent higher than those paid by local companies in similar industries in order to attract the best available workers.

Moreover, recent reports from Western companies operating in Hungary suggest strongly that wage costs there are being pushed upward by the high rate of inflation in Hungary (25-30 percent annually) and growing competition among foreign-owned companies for skilled labor.

Beginning in 1989, Hungary eliminated most government ceilings on wages in order to allow enterprises to stimulate worker incentives through increased wage differentiation and to encourage labor mobility. The official minimum wage of 7000 Ft. per month remains, but above this amount, companies in Hungary are free to compensate their employees as they see fit. While certain maximum wage guidelines are still operative (for example, a punitive tax is levied against companies that increase wages beyond an officially set target), the Investment Act exempts foreign-owned companies that are at least 20 percent foreign-owned from following these regulations.

For each Hungarian employee, a foreign-owned company must make a social security payment into a national social security fund in an amount equal to 43 percent of the employee's salary. No social security tax is payable on foreign employees, unless such persons wish to participate in Hungary's state-provided social insurance and health care services (which are provided to individuals free of charge). Also, for each Hungarian employee, the company must make a payment equal to 10 percent of the employee's salary into the state pension fund. Foreign employees are also exempt from this requirement, unless they wish to participate in the state pension system.

Labor Practices

A foreign-owned company may employ Hungarian citizens without government approval or authorization. Non-Hungarian employees, however, must have a work permit, issued by the local government office of the county or municipality in which the foreign-owned company will operate, and a residence permit issued by the:

Office of Foreigners' Affairs (KEOKH)
Andrassy ut 12
1061 Budapest, Hungary
tel: (36-1) 118-0800

Hungarian workers are considered well-educated, skilled, and highly motivated. However, U.S. companies operating in Hungary often find that Hungarian labor productivity does not meet Western standards, so that the reduced labor costs obtainable in Hungary do not always entail reduced production costs. On the other hand, companies have found that the productivity of Hungarian workers can be quickly and substantially enhanced by providing basic worker training, above-average wages, incentive-based bonus systems, and genuine opportunities for career advancement.

Western investors often find that Hungarian enterprises are greatly overstaffed (a result of the low cost of labor, the lack of labor-saving technology and, the strong emphasis of the former communist government on full unemployment). The foreign partner may feel that a reduction in the enterprise's work force is necessary in order to make the operation cost-efficient. While the Hungarian Government does not prohibit worker lay-offs by foreign-owned companies, the foreign investor is advised to proceed with caution in this area. Even in post-communist Hungary, unemployment remains an extremely sensitive issue.

At present, it is common for Hungarians to work two or even three jobs in order to make ends meet. This practice tends to reduce labor productivity, but foreign companies have been successful in minimizing this practice by offering wages that are higher than the prevailing norm in exchange for their workers' commitment not to moonlight.

2. Management

The leading officers of a foreign-owned company may be foreigners. Many U.S. companies investing in Hungary have found that their Hungarian partners actually prefer the U.S. partner to bring in its own management team because of the serious shortage of qualified managers in Hungary.

Foreign-owned firms that do employ Hungarian managers often find it useful, and even necessary, to provide comprehensive training in all aspects of running a business. Many U.S. firms investing in Hungary have brought Hungarian managers back to their U.S. headquarters for extensive training programs.

3. Domestic Marketing

With a population of only about 10 million people, Hungary constitutes a relatively small market for domestic sales by foreign-owned companies. Nevertheless, most foreign-owned companies there market at least a portion of their product or service within Hungary.

Foreign-owned companies are allowed to utilize existing marketing networks in Hungary, most of which are state-owned at present (but are being privatized rapidly). Often, companies arrange for access to a suitable marketing network by concluding a joint venture agreement with a Hungarian partner that operates its own network (for example, a shoe manufacturer that has its own warehouses and retail outlets throughout the country), or by including a Hungarian distribution/retail company as one of the partners to a broader joint venture agreement. It is also possible to simply conclude a sales and distribution contract with a distributor or retailer.

The key disadvantage to these arrangements is that Hungarian distributors often do not meet Western companies' standards with regard to the handling and display of their products. With this concern in mind, some foreign companies investing in Hungary have chosen to establish their own marketing networks, including wholly owned and franchised retail outlets.

4. Advertising and Pricing

Advertising in Hungary is developing rapidly, due to the proliferation of private news and entertainment media and to the recent entry into the Hungarian market of several well-known Western advertising firms. While there are relatively few restrictions on the scope and content of advertising in Hungary, companies should note that the advertising of cigarettes, alcoholic beverages, and pharmaceuticals is prohibited. A list of Western advertising firms active in Hungary is available from the Commerce Department's Eastern Europe Business Information Center.

Generally, foreign-owned companies in Hungary have full latitude to set the prices of their products and services. A new price law (Act LXXXVII of 1990), passed by the Hungarian Parliament on November 19, 1990, and entered into force on January 1, 1991, permits the government to set prices on only about 10 percent of goods and services (down from 23 percent in 1990). All other prices are market determined. The goods and services on which government price controls remain are principally items provided by state monopolies (for example, milk, basic white bread, postal and telephone service, electricity, and public transport).

5. Foreign Trade Regulations

Foreign Trade Rights

As of January 1, 1991, the general right to engage in foreign trade is automatically conferred to a foreign-owned company upon registering with the Court of Firms (see Section C.8--Government Registrations). Previously, it had been necessary for a foreign-owned company to obtain a separate approval from the Ministry of International Economic Relations.

Hungarian Import and Export Licenses

Because the Hungarian forint is not a convertible currency, it may not be used by foreign-owned companies to purchase imports. If a foreign-owned company wishes to import goods using forints that it has earned, it must first exchange these forints for convertible currency, which is then used to purchase the import. Such exchanges can be effected at the company's commercial bank.

However, for a relatively small category of products (as of January 1, 1991, approximately 7 percent of products listed in Hungary's trade classification system), a foreign-owned company must obtain a license from the Ministry of International Economic Relations before it will be allowed to exchange its forints for convertible currency in order to finance an import. Energy and fuels, agricultural products, minerals and metals, and certain pharmaceuticals constitute the majority of products subject to import licensing. Copies of the list of licensable items are available from the Commerce Department's Eastern Europe Business Information Center.

The remaining 93 percent of traded goods in Hungary have been liberalized for import as of January 1, 1991, meaning that a foreign-owned company is allowed to exchange forints for convertible currency without a license and without limit in order to import any of these goods. Among those products that have been liberalized for import are not only "hard goods," but also "soft goods" such as intellectual property rights, licenses, and technical services.

A license is also required from the Ministry of International Economic Relations in order to export certain products from Hungary. At present, about 20 percent of traded goods require an export license. Most of the same products that require import licenses are also subject to export licensing. Copies of the list of export items requiring a license are also available from EEBIC.

Import and export licenses, when necessary, are issued by the:

Ministry of International Economic Relations
Licensing Department
1055 Budapest, Hungary
Honved utca 13-15
tel: (36-1) 111-8433
fax: (36-1) 153-2794
tlx: 20-2802
Janos Csendes, Director

It should be noted that import licenses are not necessary when a foreign-owned company imports goods using convertible currency contributed by a foreign partner to the venture's incorporation capital (see Section C.8--Incorporation Documents and Capital).

U.S. Government Export Controls

The U.S. Government, in cooperation with the Coordinating Committee for Multilateral Export Controls (COCOM), controls the export of strategic goods and technologies to Eastern Europe, including Hungary, for reasons of national security. However, as of October 3, 1990, the Hungarian Government has implemented a comprehensive safeguard regime designed to prevent diversion or unauthorized use of controlled goods imported from the United States or other COCOM countries. As a result, an export license from the Department of Commerce will still be required for the export of controlled goods to Hungary, but for the vast majority of such goods, the Department will process license applications on a "presumption of approval" and expedited basis.

As part of this new and more favorable licensing treatment for Hungary, the Department of Commerce will soon issue regulations requiring U.S. exporters to obtain an import certificate from the Hungarian Government in support of the export of controlled goods. Once these regulations are in place, a U.S. company that plans to ship a controlled item to a subsidiary in Hungary will be required to obtain the import certificate before the Commerce Department will grant an export license.

Also, U.S.-owned companies in Hungary that import a controlled item may be required to obtain delivery verification documents from the Hungarian

Government and/or allow periodic inspections of their Hungarian facilities by export control authorities from the U.S. and Hungarian Governments to ensure that the controlled item has not been diverted or is not being used for unauthorized purposes.

Import certificates and delivery verification documents will be issued by the Licensing Department within the Hungarian Ministry of International Economic Relations. For more information on U.S. export controls for Hungary, contact the Commerce Department's Eastern Europe Business Information Center.

6. Finding Export Markets

Looking West

Many U.S. companies investing in Hungary, intend to export products manufactured in Hungary to Western markets, especially Western Europe.

One advantage to this strategy is that low manufacturing costs in Hungary (especially labor) can give products manufactured there the price advantage necessary to win a share of competitive Western European markets. Another advantage is that market barriers between Western and Eastern Europe have decreased substantially during the last year, and should decrease further in the coming years. As of January 1990, the European Community (EC) has eliminated or suspended quantitative restrictions on many imports from Eastern Europe and has made many Hungarian products eligible for duty-free import into the EC under its Generalized System of Preferences program. Moreover, in February 1991, Hungary and the EC began negotiations on an Association Agreement, which will gradually eliminate tariff barriers between them and may establish a timetable for Hungary's entry into the EC. Both of these developments have greatly increased the attractiveness of using Hungary as a manufacturing base from which to penetrate the growing EC market.

If the company already has manufacturing operations in Western Europe, this strategy may not be attractive, since the company may not want its Western and Eastern European operations competing for the same markets. In this case, companies may want to explore the production in Hungary of one or more mid-stream manufacturing inputs, which can then be used to supply (at a reduced cost) downstream manufacturing operations in Western Europe. Or, they may want to explore other hard currency export markets reachable from Hungary, such as the Middle East or North Africa.

Looking East

Western companies often view Hungary as an ideal manufacturing location from which to export to the Soviet Union and other countries in Eastern Europe, which together constitute a large untapped market of some 420 million people.

Until recently, the outlook for such a strategy had been uncertain due to the unique nature of the trading system administered by the Council for Mutual Economic Assistance (CMEA), an organization whose members included the Soviet Union and all of Eastern Europe. CMEA trade was conducted on the basis of long-term bilateral agreements between member countries, which were difficult for foreign companies to access, and was denominated in a peculiar form of soft currency known as the transferable ruble, which, despite its name, was not transferable into any convertible currency.

On January 1, 1991, this trading system was abandoned, and all trade among Eastern Europe and the Soviet Union has gone to a convertible currency basis at world market prices. While it is difficult to predict how this change will affect trade flows among Eastern Europe and the Soviet Union or between these countries and the West, it should create new opportunities for foreign-owned companies in Hungary to sell their products for convertible currency to other Eastern European countries and the Soviet Union. When these opportunities arise, having a Hungarian firm as an investment partner could prove beneficial in taking advantage of them, since many Hungarian firms have extensive marketing experience, sales and distribution outlets, and business and government contacts throughout Eastern Europe and the Soviet Union.

E. FINANCIAL AND CURRENCY ISSUES

1. Repatriating Business Profits

The foreign partner of a foreign-owned company in Hungary may repatriate, in convertible currency, its share of the company's net profits.

Repatriation applies whether the foreign-owned company generates profits by selling its product within Hungary for forints or by exporting it for convertible currency, or both; in other words, the foreign partner's right to repatriate convertible currency is not conditional on the company's actually earning convertible currency through exports or other means.

The Profit Repatriation Process

The basis for profit repatriation is the foreign-owned company's year-end financial statement (after Hungarian taxes have been settled) and a profit distribution resolution voted on by the shareholders of the company.

Hungary's repatriation mechanism is straightforward and has been used successfully by many U.S. companies. After a foreign-owned company files its year-end financial statement and profit distribution resolution with the Court of Firms (which must be done by May 31 of the following year), the company simply fills out a repatriation request form available at its Hungarian bank, and then submits the completed form to the bank along with supporting documentation. The bank processes the request and executes the remittance within four to six weeks.

The forint/convertible currency exchange rate used for repatriation transactions is the National Bank of Hungary's exchange rate in effect on the date of remittance. Typically, Hungarian banks charge a fee for processing repatriation requests equivalent to 3-4 percent of the amount repatriated.

Despite Hungary's permissive attitude toward repatriation of profits, many foreign investors in practice choose to reinvest, rather than repatriate, domestically earned profits. In some cases, joint venture companies have been able to secure longer-than-usual tax holidays (see Section E.4--Company Taxation) or other valuable concessions from the Hungarian Government in exchange for a commitment not to repatriate profits for a period of several years or more. In other cases, it appears that foreign companies sometimes offer to forgo profit repatriation for some period of time in order to make their business proposals more attractive to the Hungarian Government, especially in the context of open bidding for a project.

Companies should note that the current Hungarian Government has stated its intent to make the forint completely convertible within the next two to three years.

The right of repatriation also extends, in certain cases, to the repatriation of the investment itself (see Section E.8--Liquidation or Sale of Assets).

2. Repatriating Salaries of Foreign Employees

The Investment Act allows foreign employees of foreign-owned companies to repatriate, in the currency of the country in which the employee maintains permanent residence, up to 50 percent of annual after-tax income earned in forints. Repatriation of foreign employee income may be effected after each pay period. No government approval is required.

3. Export Earnings

Foreign-owned companies in Hungary may not retain convertible currency earned through export sales. Convertible currency export proceeds must be returned to Hungary, transferred into forints at the company's commercial bank, and held in forints in the company's commercial account. Occasionally, foreign-owned companies that are frequent exporters have been able to negotiate minor exceptions to this rule.

Export earnings held as forints may be transferred back into convertible currency for the purchase of imports according to the procedure described in Section D.5--Foreign Trade Regulations, or for repatriation as described in Section E.1--Repatriating Business Profits.

It should be noted that the requirement to transfer convertible currency export earnings into forints entails extra financial costs for the foreign-owned company, due to the 3 percent spread maintained by Hungarian banks between their buy/sell rates for forints and convertible currencies.

Moreover, the requirement to hold all earnings in forints exposes foreign-owned companies to currency risk due to the relatively high rate of inflation in Hungary (18 percent in 1989 and 30 percent in 1990) and to the possibility of official currency devaluations (for example, the forint was devalued twice in 1989 for a total drop of 11 percent, twice in early 1990 for a total drop of 5 percent, and in January 1991 was devalued a further 15 percent). Some financial institutions in Hungary are beginning to offer a number of hedging mechanisms, such as foreign exchange contracts, to help companies manage their currency exposure, but these entail additional expense for the company as well.

4. Company Taxation

In 1988-89, Hungary implemented a comprehensive tax reform that significantly streamlined the maze of taxes existing previously, and increased the transparency and neutrality of the tax system. There are now two major taxes payable by joint venture companies in Hungary: the general turnover tax (GTT) and the business profit tax (BPT).

It should be noted that there are a variety of minor taxes and fees levied against <u>all</u> companies in Hungary, whether foreign-owned or wholly Hungarian. While these minor levies are not burdensome, it is recommended that companies seek professional advice about all aspects of the Hungarian taxation system at an early stage in establishing the foreign-owned company.

<u>The General Turnover Tax</u>

The Hungarian GTT, similar to a value-added tax, has three basic rates: 25, 15, and zero percent, depending on the category of goods and services. Most goods and services fall into the 25 percent category, while certain services receive the 15 percent rate. Goods and services that are integral to the population's standard of living (that is, food, energy, and basic services) fall into the zero percent category. Exported products and services receive the zero percent rate.

Under some circumstances, foreign-owned companies can recover GTT payments. For more information on the GTT, refer to Hungarian Law XL/1989 on the General Turnover Tax.

The Business Profit Tax

The BPT in Hungary is levied on the basis of the net profits of the foreign-owned company. The base BPT rate is 40 percent. However, companies can secure significant tax holidays according to the following guidelines:

(a) If more than half the income of a foreign-owned company is from the manufacture of goods or the operation of a hotel constructed by the company, <u>and</u> the foreign partners own at least 30 percent of total equity, <u>and</u> the total capital of the company is at least 50 million forints, a tax concession of 60 percent is applied for the first five years, and 40 percent for the next five years;

(b) If the foreign partners to a foreign-owned company own at least 30 percent of total equity, <u>and</u> total capital of the company is at least 50 million forints, <u>and</u> the company earns more than half its revenue from operating in a sector of the economy designated by the Hungarian government as a priority sector (see Appendix B), a tax concession of 100 percent is applied for the first five years, and 60 percent for the next five years; and

(c) In exceptional cases where the Hungarian Government has judged a foreign investment to be of particular value to Hungary, it has awarded 100 percent tax concessions for ten years.

Foreign-owned companies may claim a refund of taxes paid on reinvested profits, regardless of whether these profits are reinvested in the company itself or in another Hungarian company (which can be already existing or newly established). Hungary imposes no withholding tax on dividends distributed to foreign investors.

The United States has a bilateral tax treaty with Hungary that, among other things, prohibits business profits earned and taxed in Hungary from being taxed in the United States, and sets limits on the U.S. taxation of dividends distributed from U.S. investments in Hungary. Copies of this treaty may be obtained from the Commerce Department's Eastern Europe Business Information Center.

Recent Changes to the Tax Code

The 1990 amendments to the Investment Act (effective as of January 1, 1991) abolished the provision of the act that granted a 20 percent tax holiday to foreign-owned companies with foreign equity participation equal to or exceeding 20 percent of total equity, or 5 million forints.

Also, the 1990 amendments imposed limits on the duration of tax holidays granted to foreign-owned companies established before December 31, 1990. For foreign-owned companies established before this date that had received the 20 percent tax holiday described in the preceding paragraph, this concession will remain in effect until December 31, 1995. For foreign-owned companies established before this date that had received the 60 percent or 100 percent tax holidays described in (a) and (b) on the previous page, these concessions will remain in effect for a maximum of ten years from the date on which the concession went into effect.

5. Taxation of Foreign Employees

Foreign employees of foreign-owned companies in Hungary are subject to a personal income tax. If the foreign employee is paid by the foreign-owned company, then 55 percent of the employee's income (including in-kind compensation) is taxable as follows:

- zero percent for first 55,000 Ft. of income;
- 12 percent for the portion of income from 55,001 to 90,000 Ft.;
- 18 percent for the portion of income from 90,001 to 120,000 Ft.;
- 30 percent for the portion of income from 120,001 to 150,000 Ft.;
- 32 percent for the portion of income from 150,001 to 300,000 Ft.;
- 40 percent for the portion of income from 300,001 to 500,000 Ft.; and
- 50 percent for the amount over 500,000 Ft.

If the foreign employee's income is paid directly by the foreign parent, the payment received from abroad is taxed at a fixed rate of 20 percent.

6. Finance

Foreign-owned companies in Hungary are subject to the same banking and financial regulations as wholly owned Hungarian companies. As such, foreign-owned companies may take up domestic currency loans from Hungarian banks (including joint venture banks) without governmental approval, just as Hungarian companies may do. However, it should be noted that credit is very expensive in Hungary at present: interest rates on short-term commercial credits exceed 30 percent, and very few banks are willing to make loans for any term longer than a year.

Foreign-owned companies may not take up convertible currency loans (even from the foreign parent company) without prior approval of the National Bank of Hungary, and then may only do so under terms dictated by the NBH. However, it is possible for the foreign partner to take up a loan on its own account and to contribute this sum to the foreign-owned company as an equity investment in accordance with the Investment Act.

To date, U.S. banks have not been active in making loans to investment projects in Eastern Europe, whereas Western European banks, especially German and Austrian, have made a number of such loans. However, a prominent U.S. company recently reported that it has established an investment in Hungary with the help of a substantial loan from a U.S. bank (after having received NBH approval). This transaction may be an indication that U.S. banks are beginning to take a more positive view of financing foreign investments in Hungary.

Financing from the U.S. Government

for investments in Hungary is also available. The U.S. Overseas Private Investment Corporation (OPIC) is a U.S. Government agency that offers direct loans and/or loan guaranties for American investments in a number of developing countries, including Hungary. Also, OPIC sponsors a Central and Eastern European Growth Fund, which will make equity investments in U.S.-owned companies in Hungary and other OPIC-eligible countries in Eastern Europe. For more information on OPIC financing programs for Hungary, contact:

Overseas Private Investment Corporation
1615 M Street, NW
Washington. D.C. 20527

Loans and Loan Guaranties
John C. Pazartzis, Associate Investment Officer
tel: (202) 457-7198
fax: (202) 331-4234

Central and Eastern European Growth Fund
Graham Williams, Manager
Special Finance Projects
tel: (202) 457-7105
fax: (202) 223-3824

The U.S.-Hungarian Enterprise Fund, established by the Support for East European Democracy (SEED) Act of 1989 to promote private enterprise in Hungary, will consider taking equity positions in joint ventures between U.S. and Hungarian private companies. Basic information on the Enterprise Fund is available from the Commerce Department's Eastern Europe Business Information Center. The Enterprise Fund can provide further information from its two offices:

Hungarian-American Enterprise Fund
Suite 703
1620 Eye Street, NW
Washington, D.C. 20006
tel: (202) 467-5444
fax: (202) 467-5469
Alexander Tomlinson, President and CEO

East-West Building
6th Floor
Rakoczi ut 1-3
1088 Budapest, Hungary
tel: (36-1) 251-7175 or 7230
fax: (36-1) 251-7086
Charles Huebner, Managing Director

Another source of financing for American investments in Hungary is the International Finance Corporation (IFC), which is a World Bank affiliate. Since the United States is a World Bank member, U.S. companies are eligible for investment financing from the IFC:

International Finance Corporation
Department of Investments, Europe
Room I9027
1850 Eye Street, NW
Washington, D.C. 20433
tel: (202) 473-0575
fax: (202) 334-8965
Zijay K. Chaudhry, Division II Manager

1054 Budapest, Hungary
Vadasz uta 31
tel: (36-1) 112-3092
fax: (36-1) 131-3714
Dennis Koromzay, Manager

The Hungarian Government recently established a 1.5 billion Ft. (approximately U.S. $22 million) Investment Promotion

Fund to help finance infrastructural development in support of foreign-owned companies. Awards from the fund could be used by a foreign-owned company to develop, for example, roads, electricity or water lines, or railroad links that would enable the company to operate effectively. Awards from the fund will be made quarterly by competitive tender. For more information on the fund, contact the Ministry of International Economic Relations' Trade and Investment Promotion Agency, which will administer the fund.

7. Insurance

Basic property/casualty and liability insurance for foreign-owned companies in Hungary are available from a wide variety of private carriers in the United States and Western Europe, as well as from state-owned and foreign-owned insurance companies in Hungary.

The Overseas Private Investment Corporation (OPIC) offers political risk insurance in Hungary. OPIC can insure American-owned companies there against expropriation of assets, damages due to political violence, and currency inconvertibility, and can also provide specialized insurance coverages for certain contracting, exporting, licensing, and leasing transactions undertaken by U.S. investors in Hungary:

Overseas Private Investment Corporation
1615 M Street, NW
Washington, D.C. 20527
tel: (202) 457-7066
fax: (202) 872-9306
Elizabeth Keck, Insurance Officer

Political risk insurance is also available for foreign-owned companies in Hungary from several private carriers in the United States and Western Europe, and from the Multilateral Investment Guarantee Agency (MIGA), which is a World Bank affiliate:

Multilateral Investment Guarantee Agency
1818 H Street, NW
Washington, D.C. 20433
tel: (202) 473-5419
fax: (202) 679-0509
Edward A. Coppola
Regional Manager for Europe

The National Bank of Hungary, for a fee, will issue to a foreign-owned company its guaranty of the Investment Act's commitments regarding expropriation and profit repatriation:

National Bank of Hungary
1850 Budapest, Hungary
Szabadsag ter 8-9
tel: (36-1) 153-3044
fax: (36-1) 153-1058
tlx: 22-7267

10 Rockefeller Plaza, Suite 1100
New York, NY 10020
tel: (212) 969-9270
Imre Hollai, Chief U.S. Representative

8. Liquidation or Sale of Assets

If a foreign-owned company is liquidated, or if a foreign shareholder sells all or part of his interest in the company back to the company itself, the proceeds may be freely transferred abroad in the currency of the original investment according to the same rules and procedure that apply to the repatriation of business profits.

In-kind capital contributions and reinvested forint earnings also may be repatriated upon sale of shares in or liquidation of a foreign-owned company. In this case, the transfer will be effected in the currency of the foreign partner's permanent residence.

The right of free transfer does not exist in one case: namely, if the foreign partner sells his interest in a company to a third party in Hungary (that is, a Hungarian entity other than the foreign-owned company itself). In this case, as is clearly indicated by a recent Ministry of Finance decree (No. 27/1990), the proceeds from such a sale must be deposited in a forint account of the foreign partner and cannot be transferred out of Hungary without prior approval from the National Bank of Hungary.

APPENDIX A: Useful Contacts for Investors

This appendix provides contact information for organizations referenced in the text of this report, as well as other useful contacts for investing in Hungary.

The Eastern Europe Business Information Center (EEBIC)
U.S. Department of Commerce
Room 7412
Washington, D.C. 20230
tel: (202) 377-2645
fax: (202) 377-4473

EEBIC is a U.S. government clearinghouse for information on doing business in Eastern Europe. It publishes a newsletter called Eastern Europe Business Bulletin.

U.S. Foreign Commercial Service
Gary Gallagher, Senior Commercial Officer
Patrick Hughes, Commercial Officer
tel: (36-1) 122-8600, 122-1217
fax: (36-1) 142-2529
tlx: 22-7136

(for visits and appointments):
1062 Budapest, Hungary
Bajza utca 31

(for mail from the USA):
American Embassy - Budapest
U.S. Foreign Commercial Service
APO New York 09213-5270

(for international and express mail):
American Embassy (FCS)
1054 Budapest, Hungary
Szabadsag ter 12

The U.S. Department of Commerce's Foreign Commercial Service officers stationed in the U.S. Embassy in Budapest can advise and assist American companies while they are in Hungary. FCS also operates American pavilions at Hungarian trade fairs.

American Chamber of Commerce-Hungary
1068 Budapest, Hungary
Dozsa Gyorgy ut 84/a
Room 412
tel: (36-1) 142-8752
fax: (36-1) 122-8890
Steven Bina, President
Peter Fath, Executive Director

Membership consists of over 125 U.S. companies doing business in Hungary. The chamber publishes a newsletter called AmCham Today.

U.S.-Hungarian Business Council
c/o U.S. Chamber of Commerce
1615 H Street, NW
Washington, D.C. 20062
tel: (202) 463-5473
fax: (202) 463-3114
Thaddeus Kopinski, Executive Director
Kay Larcom, Associate Director

Activities include lobbying on commercial policy issues, promoting private enterprise in Hungary, and providing business facilitation services for U.S. and Hungarian member companies.

U.S. Overseas Private Investment Corporation (OPIC)
1615 M Street, NW
Washington, D.C. 20527

Loans and Loan Guaranties
John C. Pazartzis
Associate Investment Officer
tel: (202) 457-7198
fax: (202) 331-4234

Central and Eastern European Growth Fund
Graham Williams
Manager, Special Finance Projects
tel: (202) 457-7105
fax: (202) 223-3824

Insurance
Elizabeth Keck, Insurance Officer
tel: (202) 457-7066
fax: (202) 872-9306

Preinvestment Services (Opportunity Bank)
Eric Luhmann, Investor Services Officer
tel: (202) 457-7010 or 1-800-424-6742
fax: (202) 331-4234

OPIC is a U.S. Government organization that provides financing and political risk insurance for U.S. investments in developing countries, including Hungary. It also maintains a database of investment opportunities called the Opportunity Bank and organizes investment missions to eligible countries.

International Finance Corporation
Department of Investments, Europe
Room I9027
1850 Eye Street, NW
Washington, D.C. 20433
tel: (202) 473-0575
fax: (202) 334-8965
Zijay K. Chaudhry, Division II Manager

1054 Budapest, Hungary
Vadasz utca 31
tel: (36-1) 112-3092
fax: (36-1) 131-3714
Dennis Koromzay, Manager

IFC is a World Bank affiliate that can provide financing for foreign investments in Hungary.

Multilateral Investment Guarantee Agency (MIGA)
1818 H Street, NW
Washington, D.C. 20433
tel: (202) 473-5419
fax: (202) 679-0509
Edward A. Coppola
Regional Manager for Europe

MIGA is a World Bank affiliate that can provide political risk insurance for foreign investments in Hungary.

U.S. Trade and Development Program (USTDP)
Washington, D.C. 20523
tel: (703) 875-4357
fax: (703) 875-4009
Fred Eberhardt, Director for Europe

USTDP is a U.S. Government organization that funds feasibility studies for infrastructural projects in developing countries, including Hungary.

Hungarian-American Enterprise Fund
Suite 703
1620 Eye Street, NW
Washington, D.C. 20006
tel: (202) 467-5444
fax: (202) 467-5469
Alexander Tomlinson, President and CEO

East-West Building
6th Floor
Rakoczi ut 1-3
1088 Budapest, Hungary
tel: (36-1) 251-7175 or 7230
fax: (36-1) 251-7086
Charles Huebner, Managing Director

The Hungarian-American Enterprise Fund is a privately managed fund that was established by the U.S. Government through the 1989 Support for East European Democracy (SEED) Act. The fund's primary purpose is to promote the development of the Hungarian private sector by, among other things, investing in joint ventures between American and Hungarian companies.

Embassy of the Republic of Hungary Commercial Office
2401 Calvert Street, NW
Suite 1021
Washington, D.C. 20008
tel: (202) 387-3191
fax: (202) 387-3140
tlx: 41-5902
Ferenc Furulyas
Minister Counsellor, Commercial Affairs
Ferenc Kepe, 1st Secretary (Commercial)

50 East 58th Street, 33rd Floor
New York, NY 10022
tel: (212) 752-3060
fax: (212) 486-2958
tlx: 42-2438
Dr. Tibor Nemes, Commercial Counsellor

130 East Randolph Drive
Prudential Plaza, Suite 1930
Chicago, IL 60601
tel: (312) 856-0274
fax: (312) 856-1080
Ivan Novak, Commercial Counsellor

The Hungarian Government's commercial offices in the United States can assist and provide information to American companies interested in investing in Hungary.

National Bank of Hungary (NBH)
1850 Budapest, Hungary
Szabadsag ter 8-9
tel: (36-1) 153-3044
fax: (36-1) 153-1058
tlx: 22-7267

10 Rockefeller Plaza, Suite 1100
New York, NY 10020
tel: (212) 969-9270
Imre Hollai, Chief U.S. Representative

The NBH can provide information on financial issues related to operating a foreign-owned company in Hungary.

InvestCenter - TradeInform
1051 Budapest, Hungary
Dorottya utca 4
tel: (36-1) 118-8220, 6064
fax: (36-1) 118-3732
tlx: 22-5191
Gabriela Falus, General Manager

Administered by the Hungarian Ministry of International Economic Relations, InvestCenter-TradeInform will set up appointments for foreign companies with appropriate Hungarian companies and government agencies, and can assist foreign companies in all aspects of making an investment in Hungary.

Hungarian Chamber of Commerce
Business Contact Service
1055 Budapest, Hungary
Kossuth Lajos ter 6-8
tel: (36-1) 153-3333, 153-3853
fax: (36-1) 153-1285

The chamber represents Hungarian commercial interests and can help foreign companies find and evaluate investment partners.

Ministry of International Economic Relations
1055 Budapest, Hungary (street address)
1880 Budapest, Hungary (mailing address)
Honved U. 13-15
tel: (36-1) 153-0000
fax: (36-1) 153-2794, 131-4186

<u>Investment and Trade Promotion Agency</u>
tel: (36-1) 153-0000
fax: (36-1) 153-2794
tlx: 22-5578
Janos Balassa, Joint Venture Department

This agency was recently set up within the Ministry of International Economic Relations to assist foreigners in all aspects of trading with or investing in Hungary.

<u>Licensing Department</u>
tel: (36-1) 111-8433
fax: (36-1) 153-2794
tlx: 20-2802
Janos Csendes, Director of Licensing

The Licensing Department issues import and export licenses required by the Hungarian Government for certain goods, as well as import certificates and delivery verification documents required by U.S. Government and COCOM regulations on the export of strategic goods.

Ministry of Finance
Department of International Financial Affairs
1051 Budapest, Hungary
Jozsef nador ter 2/4
tel: 36-1-118-5670, 118-2066
fax: 36-1-118-2570
tlx: 22-5942
Csaba Repassy, Department Head

Previously, this department of the Ministry of Finance issued licenses for majority foreign-owned companies. With the amendments to the Foreign Investment Act that went into effect on January 1, 1991, the licensing requirement for all foreign-owned companies was abolished. However, this office may still serve as a useful investment-related contact.

Ministry of Industry and Domestic Trade
1525 Budapest, Hungary
P.O. Box 96
85 Martirok utja
tel: (36-1) 156-5191
fax: (36-1) 175-3295
tlx: 22-5376
Dr. Janos Lendvai
Director General, International Affairs

Ministry of Transport, Communication and Water Management
1400 Budapest, Hungary
P.O. Box 87
Dob utca 75-81
tel: (36-1) 122-0220, 122-9478
fax: (36-1) 122-8695
tlx: 22-5729
Gyula Partos
Director, Telecommunications Policy

Ministry of Environment and Water Management
1011 Budapest, Hungary
Fo utca 44-50
tel: (36-1) 201-4133
fax: (36-1) 201-2482
Sandor Jobbagy
Director, International Affairs

Hungarian Telecommunications Company 1541 Budapest, Hungary
Krisztina krt 6-8
tel: (36-1) 175-0121
fax: (36-1) 156-0855
tlx: 22-1193
Pal Horvath, Director General

The Hungarian Telecommunications Company operates Hungary's national telecommunications system.

Ministry of Agriculture and Food
1055 Budapest, Hungary
Kossuth Lajos ter 11
tel: (36-1) 153-3000
fax: (36-1) 153-0518
Imre Takacs
Director, International Department

State Property Agency (SPA)
1051 Budapest, Hungary
Vigado utca 6
(Letter address: 1399 Budapest, Pf. 708)
tel: (36-1) 118-5044
fax: (36-1) 118-7155
Lajos Csepi, Director
Karoly Szabo, Deputy Director

Created in late 1989 to administer the Hungarian Government's program of privatizing state-owned enterprises, the SPA must approve foreign investments that involve or result in the privatization of a state-owned firm.

State Property Agency Information Office
1074 Budapest, Hungary
Harsfa utca 21
tel: (36-1) 142-7734
fax: (36-1) 142-7337
tlx: 22-6564

The SPA Information Office disseminates information to the public regarding privatization in Hungary.

HungExpo
1441 Budapest, Hungary
P.O. Box 44
Dobi Istvan ut 10
tel: (36-1) 157-3555
fax: (36-1) 128-5034
tlx: 22-4684 hexpo h

HungExpo manages international commercial fairs and exhibitions at the Budapest fairgrounds. The U.S. Department of Commerce operates American pavilions at several of these fairs.

Association of Industrial Cooperatives (OKISZ)
1146 Budapest, Hungary
Thokoly ut 58-60
tel: (36-1) 141-4752
fax: (36-1) 141-5521
tlx: 22-7576
Lajos Koveskuti, President

OKISZ represents the interests of the Hungarian industrial cooperatives.

Association of Entrepreneurs (VOSZ)
1118 Budapest, Hungary
Szuret ut 15
tel: (36-1) 185-3377
fax: (36-1) 182-0316
tlx: 22-3436
Janos Palotas, President

VOSZ represents the interests of the Hungarian small business sector.

Foundation for Small Enterprise Economic Development (SEED)
1119 Budapest, Hungary
Andor utca 60
tel: (36-1) 181-0590
fax: (36-1) 181-2959
Dr. Agnes Tibor, Managing Director

SEED promotes the development of small business in Hungary.

Central Corporation of Banking Companies
(Penzintezeti Kozpont, or PK)
1093 Budapest
Szamuely u 38
tel: (36-1) 117-1255
fax: (36-1) 118-8149

PK is a government office that can assist foreign companies in opening representational offices, securing office space and telephone service, hiring staff, as well as other practical business matters. PK is also involved in approvals for real estate acquisitions by foreign firms in certain cases.

State Taxation Office (APEH)
1096 Budapest, Hungary
Haman Kato ut 3-5

APEH administers Hungary's taxation system. Also, foreign-owned companies must register with the sectoral department of APEH that corresponds to the company's line of business (see p.14 for APEH's deparmental telephone numbers).

Budapest Court of Firms
(or the Court of Registration)
1064 Budapest, Hungary
Rozsa Ferenc utca 79
tel: (36-1) 112-1629

Foreign-owned companies must register with the Court of Firms in the municipality or county of operation. Courts of Firms are located in the following county seats and municipalities:

County	County seat
Bacs-Kiskun	Kecskemet
Baranya	Pecs
Bekes	Bekescsaba
Borsod-Abauj-Zemplen	Miskolc
Csongrad	Szeged
Fejer	Szekesfehervar
Gyor-Moson-Sopron	Gyor
Hajdu-Bihar	Debrecen
Heves	Eger
Jasz-Nagykun-Szolnok	Szolnok
Komarom-Esztergom	Tatabanya
Nograd	Salgotarjan

County	County seat
Pest	Budapest
Somogy	Kaposvar
Szabolcs-Szatmar-Bereg	Nyiregyhaza
Tolna	Szekszard
Vas	Szombathely
Veszprem	Veszprem
Zala	Zalaegerszeg

The following cities also have municipal Courts of Firms: Budapest, Debrecen, Miskolc, Szeged, Pecs, Gyor.

Office of Foreigners' Affairs (KEOKH)
Andrassy ut 12
1061 Budapest, Hungary
tel: (36-1) 118-0800

All foreigners working in Hungary must obtain a residence permit from the Budapest office of KEOKH.

National Office of Inventions
Patent Information Center
1370 Budapest, Hungary
P.O. Box 552
tel: (36-1) 112-4400
fax: (36-1) 131-2596

The Patent Information Center provides information and assistance on intellecutal property-related issues.

Hungarian Chamber of Commerce Arbitration Court
1055 Budapest, Hungary
Kossuth Lajos ter 6-8
tel: (36-1) 153-2425

The chamber is a possible venue for adjudicating investment-related disputes.

APPENDIX B: Priority Sectors of the Hungarian Economy

The following areas of the Hungarian economy have been designated as priority sectors by the Hungarian Government. Foreign-owned companies operating in any of these sectors are eligible for special tax holidays as described in Section E.4--Company Taxation.

The following is an abbreviated version of the full list of priority sectors eligible for tax holidays. The full list is available from the Commerce Department's Eastern Europe Business Information Center.

1. Production of Electronics

   a. Production of active, passive, and electro-mechanic components;

   b. Production of computer peripherals;

   c. Production of electronically operated telecommunications main and sub-exchanges;

   d. Production and application of robotics technology;

   e. Production of CAD-CAM systems;

   f. Production and servicing of other electronic equipment and components.

2. Production of Vehicles and Components

3. Production of Machine Tools

4. Production of Equipment foı Agri-culture, Food Processing, and Forestry

5. Production of Machinery Components

   a. Castings, forgings, and pressings;

   b. Production of components and subassemblies for general use (high-grade fittings, valves, hydraulic and pneumatic components, high-tech bearings, and plastics;

   c. Production of up-to-date coupling elements (screws, bolts, nuts, and rivets);

   d. Production of tools and devices; and

   e. Production of up-to-date materials and raw materials.

6. Development of Packaging Techniques

   a. Production of packaging material and appliances; and

   b. Production of packaging machinery.

7. Production of Pharmaceuticals, Plant Protectives, and Intermediates

   a. Development and production of new drugs for veterinary use;

   b. Production of new plant protectives; and

c. Production of key intermediaries, pharmaceutical products, and plant protectives.

8. Development of the Domestic Protein Base

9. Production of Processed Foods

10. Activities under 1 - 9 Carried Out as Subcontract Manufacture

11. Production of Agricultural Propagation and Breeding Materials

APPENDIX C: Commercial Fairs in Hungary, 1991-1992

1991

September 20-29
Budapest International Consumer Goods Fair

September 20-29
"InterPlayExpo" - International Toys Exhibition

October 15-19
"CompFair" - International Fair for Computers

October 17-21
"USA Showcase" - American Product Show

October 18-23
"Technika '91" - International Trade Fair for Home Appliances and Entertainment Electronics

October 22-25
"Hungarokorr" - International Corrosion Protection Trade Exhibition

October (TBA)
"Italy 2000" - Italian Product Show

November (TBA)
"Auto '91" - 4th International Trade Exhibition for Cars, Vehicles and Parts

1992 (preliminary schedule)

March 20-24
15th International Exhibition and Fair of Tourism

April 7-10
11th International Building Trade Exhibition

April 22-25
"IFABO" - International Trade Fair for Computers, Office Equipment and Communications Technology

May 20-28
Budapest International Technical Fair

September 18-27
Budapest International Consumer Goods Fair

September 18-27
10th International Fair for Trade and Catering

October (TBA)
12th International Packaging and Materials Handling Trade Exhibition

October (TBA)
"CompFair" - International Fair for Computers

October (TBA)
"HungTech" - 1st International Subcontracting and Industrial Supplies Trade Exhibition

October (TBA)
"Auto '92" - 5th International Trade Exhibition for Cars, Vehicles, and Parts

October (TBA)
International Trade Fair for Industrial Electronics and Electrotechnique

October (TBA)
"Ikal Dental" - International Trade Fair for Medical, Dental and Scientific Equipment

All of the above fairs are organized by the Hungarian firm HungExpo Company. For more information on these fairs, companies should contact HungExpo directly (see Appendix A for contact information).

Each May, the U.S. Department of Commerce's Foreign Commercial Service (FCS) office in Budapest organizes a pavilion for U.S. companies at the Budapest International Technical Fair. For information, companies should contact FCS Budapest directly (see Appendix A for contact information).

* U.S. G.P.O.:1991-281-556:40272