

# Hungary: Promising partner in the Central-European industrial growth engine



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Ambassador of Hungary to Japan

## Hungary as an Attractive Business Location

Hungary is located in Central and Eastern Europe at the crossroads of four main pan-European corridors, in the very heart of central Europe. Hungary has a nominal GDP of over EUR100 billion, a population of 10 million and an advanced and export-oriented economic structure centering on the automotive and chemicals industries, with per capita GDP exceeding EUR 20,000. In 2015 Hungary's GDP increased by 2.9 %, and this was one the highest figure in the EU, as Central-Eastern Europe - including Hungary- has become Europe's industrial growth engine in the recent years. Inward FDI stock amounted to 78% of GDP the highest ratio in the region and FDI flow has been a key factor behind productivity growth in Hungary, technology modernization, a sound growth structure and the creation of new jobs. Thanks to the government's firm stance of reining in fiscal deficits at 3% or lower of GDP, fiscal deficits have been kept in check at close to the 2% level of GDP since 2012. The general government debt is on the decline and is 78% relative to GDP as of end 2015.

Since the early 1990s, following Hungary's transition from a socialist economy to an open market, the country has positioned itself as a key investment destination for Japanese companies looking for access to European and regional markets - while offering

world-class infrastructure and a highly educated workforce. Hungary is a full member of the European Union since 2004, which makes it easy for companies to reach more than 500 million people in the EU and another 200 million to the East. Thanks to its favorable location, its stable macroeconomic and investor-friendly political environment, Hungary is a perfect investment location.

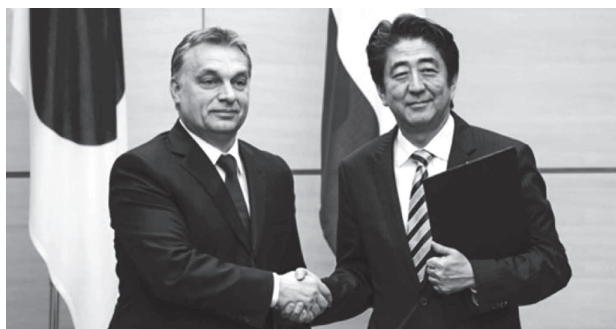
Particular emphasis is placed on encouraging foreign investment. Partnership with potential investors is considered a national priority. Special attention is paid to the needs of companies already settled in Hungary and to the further improvement of the business climate. In order to improve the business climate, the Hungarian government reduced the corporate tax rate to the lowest level in the CEE region (10/19%), created a new, even more flexible labor code in favor of employers, created free enterprise zones with special tax and contribution allowances and entered into strategic agreements with numerous companies.

## 146 years: Japan's partner in the heart of Europe

Despite the geographical distance, Hungary has traditionally a strong relationship with Japan. The Austro-Hungarian Empire established diplomatic relations with Japan 146 years ago, and Hungary re-established them 56 years back. During this long



H.E. Mr. István Szerdahelyi was appointed as ambassador to Japan in 2011, this is his third diplomatic mission to Tokyo: the first assignment took place as cultural attaché in the early '90s, the second term was as ambassador to Japan between 1999 and 2003. Beside his foreign career he has a successful career course in the academic life as well. Before taking the present post, he had led the Department of Japanese studies at Eötvös Loránd University.



Japanese-Hungarian Prime Minister's meeting,  
November 2013, Tokyo

history of Hungarian-Japanese relations, we have counted ourselves lucky for the excellent bilateral ties in all fields, especially in politics, economics, culture, sport, higher education and technology. Hungarian Prime Minister Viktor Orbán paid an official working visit to Japan in November 2013. During this visit, as well as Foreign Minister Kishida's visit to Hungary in August 2014 and Foreign Minister Szijjarto's visit to Tokyo in November 2014 a series of bilateral agreements were signed, all of which substantially contribute to further deepening our cooperation and strengthening the Japanese-Hungarian friendship. Cultural exchanges represent the most visible ties between Hungary and Japan.

## Bilateral investment and trade relations

Based on the total volume of exported goods and services and investments, the Hungarian- Japanese relation can be regarded as a success story of Hungary's "Eastern Opening" policy. Japan has apparently become one of the most important investors in Hungary with a total stock of invested capital amounting over 3.9 billion Euros, having brought in not only a significant amount of direct investment but also a highly-developed corporate culture. Thus, the Hungarian Government pays special attention to improving the overall conditions of Japanese company operations. As regards Japanese economic presence in Hungary, there are 141 successful Japanese companies in the country out of them 47 opened their manufacturing facilities, employing more than 25,000 people. The following Japan based companies have made major direct investments in Hungary: Suzuki, Alpine, Asahi Glass, Bridgestone, Denso, Hoya, Nissin Foods, Ibiden to name a few. Hungary esteems Japanese investors



One of the most visible Japanese investments in Hungary  
- Suzuki Motor and its new Vitara/Escudo model

consequently the government has signed strategic partnership agreements with the leading companies like Suzuki, Bridgestone, Denso, Takata, Alpine, Toray, Ibiden. The construction and food industry, the renewable energy sector, water and waste management and IT are among possible fields of Hungarian-Japanese economic cooperation. Besides investments, the trade volume has also been showing a growing tendency, especially the export of Hungarian food items to Japan. Japan is the biggest export market for Hungarian food items in Asia.

## Economic diplomacy

The Hungarian Investment Promotion Agency (HIPA) was established to provide professional help to foreign companies intending to invest in Hungary. HIPA's task is to support the implementation of the Government's key investment promotion targets and to foster bilateral and multilateral international economic relations. To this end, HIPA seeks and maintains contacts with potential foreign investors, helping them to prepare and implement strategic investment decisions, as well as providing post-decision support and encouraging their intention to re-invest. The trade and investment representatives play an ever growing role in Hungary's diplomatic missions: investment promotion, introduction of the Hungarian economy and investment environment, breaking down trade barriers and maintaining close contacts key Japanese corporate and government decision makers are all significant tasks.

\* This message was contributed in February 2016.

HIPAでは、世界120カ国で136人の外交官が現地窓口として投資家をサポートしています。日本でのお問い合わせは、ハンガリー大使館 アンナ・バーリン二等書記官（電話:03-5730-7120、Fax:03-5730-7124、E-mail:ABalint@mfa.gov.hu、URL: www.hipa.hu）まで。

