

Interview: Agnès Ducrot - Executive Director; Miklós Maróthy - President, CCI France Hongrie, Hungary



The main difference between Hungary and other developing nations is the absolute political stability

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Agnès Ducrot and Miklos Maróthy of CCI France Hongrie discuss their advocacy efforts in Hungary and the history of French investment in the country. They also discuss the challenges and opportunities facing companies currently operating in the country.

Can you give our readers an overview of the Chamber's activities here in Hungary and describe what priorities you are currently focusing on?

Agnès Ducrot (AD): For 25 years the main objective of the Chamber has been to promote French-Hungarian companies in Hungary. We currently have more than 220 members, including nearly 100 percent of the French companies in the country as well as others, and organize at least 50 events over the course of a year. We propose commercial services dedicated to develop business relationships between French and Hungarian companies as well as to help French small and medium sizes companies in their setting up projects on the Hungarian market.

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Miklos Maróthy (MM): These events fall mainly into two categories. The first includes all of our professional events with great networking opportunities, such as Clubs (Communication, HR, Financial, Industrial, Touristic), Speed Business Meetings, presentations of new members, business

lunches, that include important political and economic actors in Hungary. And second we have recreational and cultural programs. These include sports events, museum visits and our yearly gala.

There has been a longstanding history between France and Hungary. What, in terms of trade relations, is the importance or significance of Hungary to France?

MM: France is the 4th largest investor in Hungary, and Hungary is one of the most developed countries in Eastern Europe, and is continuing to grow its economy. Despite having gone through a challenging time during the financial crisis, Hungary is now coming out the other side with a lot of energy. However, the main difference between Hungary and other developing nations is the absolute political stability, which has provided Hungary with a solid base over the past five or six years for economic development.

As an investment destination, how would you evaluate the ease of doing business in Hungary, namely in terms of government support, research and development and infrastructure?

MM: Today the Hungarian government works to offer every possible incentive for investment. And while it is a small country in terms of development, the current political system offers administrative advantages. There is a clear, transparent fiscal system across the market. For example, Hungary is a unique country in Europe in that you are obliged to announce any transports over 3.5 tons before they occur, meaning that all goods have to be declared. This system has helped the country clean up its economy. Another example of Hungary cleaning up its economy is in terms retail sales, where almost all sales transactions are now immediately registered by the fiscal authorities via the cash register machines connected directly to the fiscal system, which is growing to include more and more services. This clear, transparent fiscal environment helps to offer a competitive economic system, and is a good environment for all investors.

You mentioned recent administrative and fiscal changes that have created an environment conducive to starting a business. However, a few months ago the Chief of Staff of the Prime Minister's office named bureaucracy as a cause for the slow growth of Hungary compared to others in the region, specifically citing administrative organizations as a problem. Do you see bureaucracy as an impediment to growth in Hungary?

MM: The reality is that Hungary needs to be simpler, and we are now at the beginning of a complete simplification process. I am absolutely sure that they will start a new administrative

management system. But that is not an easy task. In Hungary you have almost 4 million people paying taxes on their revenue, and out of them some hundreds of thousands are employed by the Hungarian state. But even though we are at just the beginning of this process, even over the last 5 years the state system has transformed. For more people it is much easier to manage your personal affairs, such as renewing your driver's license or other dealings with the state. The administration has become much more simplified than at any time in the past. However, there is a lot of fear of this type of change. In terms of bureaucracy, while there have been steps in the right direction towards simplification, I do not think the complexity of the back offices of the government influence the decisions of the government.

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In terms of investments, what sectors of the economy are French companies most active in?

MM: They are present in every sector of the Hungarian economy. As I mentioned, France is the 4th largest investor in Hungary, so French companies are present in all industries, including electricity, water systems, agriculture and healthcare.

Are Hungarians particularly innovative? How does this impact the healthcare industry within the country?

MM: Yes, Hungarians are very innovative. The Hungarian educational system is more developed compared to other countries, especially in the fields of science. Hungarians are advanced in many areas, including healthcare, chemistry and medical education. And because of this we have more than 2,000 foreigners studying here right now. However, due to the Hungarian public healthcare system, Hungarian doctors have to work with less in terms of infrastructure to see an increasing number of patients. This problem will persist, as the healthcare system has little money to invest in more infrastructure. Currently, the total amount of unpaid invoices in the Hungarian healthcare system is 40 billion HUF.

What are some of the similarities and differences between the Hungarian and French business cultures?

MM: The business culture here in Hungary is quite different than in France, but French companies that are investing in Hungary are doing so in cooperation with Hungarians. Even though the legal system is different and the culture is different, it is not an obstacle for French companies. There are some peculiarities, however, every time I speak with French CEOs about the business culture here,

they are usually not speaking of difficulties, and when they are, they talk mainly about challenges within the fiscal and legal system. That being said, CEOs rarely mention any major difficulties in these areas.

AD: Hungarians do have different attitudes, and tend to not be as optimistic as their French counterparts. There is also a difference with regards to the relationship workers have with their superiors. Hungarians tend to respect hierarchy and are hesitant to give you their own opinions. Intercultural differences do exist, and you need to know that when you are investing here and adapt your way of managing people.

What is one piece of advice that you would give French companies looking to invest in Hungary for the first time?

MM: First, I would start with contacting organizations in France, including the Chamber, to start and organize things before you arrive. Once you arrive in Hungary, contact the French Chamber here. We have experts among our members and organize events for our members to give advice on a wide range of topics.

What motivated you to join the French Chamber?

MM: CCI is a community, and allows you to organize both your professional and non-professional life. It offers professional networking events, cultural events and the chance to build relationships. It can also provide advice on how to navigate any potential problems with the local authorities.

AD: The Chamber allows you to develop professional contacts and relationships outside of the work environment, for example sport events and museum exhibits, and these relationships are essential to doing business in Hungary.

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