Interview: Irisz Lippai-Nagy – CEO, AmCham Hungary; Dr. Csaba Szokodi – Managing Director, Mölnlycke Health Care Kft.; Dr. Kuluncsics Zénó – Senior Manager, Development Operations, Amgen, Hungary



Hungary's geographic location makes it easy to serve the whole globe, connecting the east and the west

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AmCham Hungary, one of the largest American Chambers of Commerce in Central and Eastern Europe, discusses their advocacy efforts, particularly highlighting the chamber's recently established Healthy Nation Policy Task Force and its aim to positively shape the current and future state of healthcare in Hungary.

Can you please describe for our readers AmCham's history in Hungary as well as some of the areas where you have recently been working?

Irisz Lippai-Nagy (ILN): AmCham is a nonfinancial and nonpolitical organization founded in 1989 currently comprised of 365 members. Around 40 percent of our members are American, 30 percent are international companies and 30 percent are Hungarian companies. Our members represent over 190,000 employees and 36% of Hungarian exports. The chamber's main focus has been the execution of our policy agenda, which was published last year. Our mission is to help Hungary increase their spot in competiveness ranking reports. In 2014 Hungary was ranked 60, our hope is that this will be 50 by 2025.

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We have identified four major areas to focus on: investment, encompassing the general investment environment, taxation, regulation and subsidies; talent, including workforce and education; innovation; and lastly healthcare, which encompasses the Healthy Nation Policy Task Force, whose activities focus on improving the health of the Hungarian population.

In all of these areas we have identified challenges and made commitments.

From your perspective, what qualities make Hungary such a favorable investment destination for your member companies, especially when compared to other markets within the region?

ILN: There are several reasons Hungary is a favorable investment destination. Traditionally Hungary has had a very talented workforce, and investors value the people they can find here. Additionally, Hungary's geographic location makes it easy to serve the whole globe, connecting the east and the west. This has become even more apparent with recent investments in physical and IT, digital infrastructure, helping to connect all different parts of the continent.

From the perspective of the companies operating here in Hungary, what would you say are the main attractive points of this country specifically?

Dr. Csaba Szokodi (CS): Hungary is a regional center rather than a global one for the pharmaceutical sector. From this location it is easy to serve logistically east and west including the Balkans, CIS, Eastern Europe and Austria and Switzerland. In other sectors we see more and more shared services firms providing services worldwide.

Dr. Kuluncsics Zénó (KZ): Hungary is also very attractive in the fields of research and development and clinical trials, ranked in the top 10 worldwide. This is a result of the discussion between the industry and the government, who recognized that around $350 million in investments was possible annually. This possibility gave a push to make the country even more appealing for R&D and clinical trials.

There are several additional factors that have helped this industry become successful. Hungarian physicians who are conducting clinical research are excellent and get compensated accordingly, which is a motivating factor.

The fundamentals, workforce, research, technology, geostrategic location, are clearly present in this market. But when we evaluate competitiveness, especially compared

with other Visegrád countries, we see that Hungary is still falling behind. Is the country doing enough to improve its position at this point, in terms of government support and infrastructure?

CS: For international companies in Hungary the biggest challenge we are facing is under-financing. Through your operation, your results and sales are painting a picture of the country for your corporation. And when a corporation would like to invest somewhere, obviously they consider the market situation. For me, this has been true in the medical device industry. When you are struggling operationally you will not be the first choice when the company would like to invest in a country.

It seems like a main commonality in all of your comments here is uncertainty, specifically in political, structural and legislative changes. I am sure in part this is why AmCham has taken it upon themselves to focus on these advocacy efforts. Has advocacy on these issues always been something that AmCham has been focused on? Or is this a result of companies bringing up these issues?

ILN: Advocacy was always one of the most important parts of AmCham. And recently legislation has become much more predictable. Since 2011 AmCham Hungary is a strategic partner of the Ministry of Justice, continuously monitoring and commenting legislation, facilitating a working relationship between the companies and the legislators. This working relationship and dialogue covers areas such as constitution- and public administration law, civil- and commerce law, corporate law, intellectual property law, data protection- and competition law, and consumer protection. Since 2015 we are also in partnership with the Hungarian Investment promotion Agency, working together to drive foreign investment, increase the share of local SMEs as suppliers and enhance overall national competitiveness.

CS: Advocacy, particularly in regard to healthcare, was always among the primary goals of AmCham. One thing that we have done right since our establishment in the country, especially over the last 7 years, was to make clear that health equals wealth. We have worked to convince political decision makers that it is important to invest in the healthcare industry because this can create wealth. Many times we have heard criticisms that healthcare is such a broad industry that it is difficult to find consensus. However, we believe, that with activities of AmCham we help to find consensus and this is the basis of our streamlined advocacy efforts.

Hungary is unique in that there is not a specific ministry overseeing the industry. Is that inhibiting the growth and development of the sector at the moment?

CS: This shows that healthcare is not a top priority for the government, and this is a problem. We have to make healthcare a major topic in the political arena. We see the government eager to invest in research and development and clinical trials in the biotech and pharmaceutical industries, but not in the healthcare system as a whole. If you speak to a government official and ask if healthcare good for the country, they will say yes to attract investment. But when you talk about creating a sustainable healthcare system there is no clear and promising response. I strongly believe, that these two things should be connected.

ILN: What I see is that with all healthcare companies, the state is the customer for at least some part of your product. Your big customers are the Hungarian healthcare systems, where on one hand the Hungarian government is interested in inviting the investments, but in the end they have to foot the bill. So there is a contradiction.

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KZ: For instance, Hungary does well with research and development. However, once products arrive the government is very slow with reimbursement decisions. It is important to mention that AmCham has set as a strategic decision the goal of a healthy nation. What we would like to achieve is a more holistic and approach to healthcare. Our goal is to prove to our decision makers that health is wealth.

This area seems to have always been a large focus of AmCham. How has this changed with the establishment of the Healthy Nation Policy Taskforce in 2014?

CS: The Healthy Nation Policy Taskforce presents healthcare as a strategic priority for the Chamber, and we would like to see that on the government side as well. We opened the door to let other industries join forces to make healthcare in Hungary a priority.

ILN: For example, we established a 3-month long competition for all employees of AmCham companies to walk 10,000 steps every day. Next year we are launching a report that collects examples from different companies on what they are doing to maintain and preserve the health of their employees.

What is the ultimate goal for this taskforce? Moving forward how will you evaluate its success?

CS: We are asking that same question. Recently we had a brainstorming session on further steps for this taskforce and obviously this is not an easy task. The priorities and interests are very diverse. In other areas, it is easier to streamline. However, the goal is for the government to put

healthcare on the table as a strategic priority. And AmCham is working to provide them with positive examples of this.

Do you ever project a time where this industry will be the primary focus of the government?

CS: We have the next parliamentary elections in 2018. That will be the next measuring point.

As chairman of the taskforce, and as industry leaders, what will you be focused on going forward?

CS: We are still working on finalizing focus points for the healthy nation taskforce.

ILR: And the Chamber as a whole will collect and present the economic considerations for the decisions that need to be made and try to make it clear for the decision makers why certain things are important for the business community.

In your experiences, what is one piece of advice for companies looking to establish themselves in Hungary for the very first time to ensure success?

ILR: Come and talk to people who are already here, meet with current AmCham members. There is a reason they are operating here, and by talking to them you can receive first hand advice.

CS: There are many different considerations. If you are talking about manufacturing or research and development, we are a very attractive location. When looking into the Hungarian healthcare market in general, that is a challenge. You need to learn and understand the current market. Despite the challenges, large global firms are still operating in Hungary, and there is a reason for that.

What advice would you have for navigating the Hungarian business culture?

CS: This is a great question. You can find very well educated people in the Hungarian market, so turn to them. Hire Hungarian people. One of the mistakes international companies make is, for different reasons, they run their organizations with expatriates and international executives. This has some benefits, but it has more disadvantages. Personal relationships and networking are key. To culturally and economically understand some of the situations, you better to have a Hungarian background. And these people are available. We at AmCham are a good example of this, as we have a Hungarian managing director. One last point on this, if someone comes to Hungary, they should not expect a quick return. They should consider long-term, or at least midterm, investment.

What will AmCham be achieving in 5 years?

ILR: We hope to have even more members than today, seen by many as a powerful community to belong to. I trust that our cooperation and strategic dialogue with the government will be stronger than ever. We will continue the work we have started 27 years ago, to make Hungary an even more ideal business environment, attracting investment and re-investment from all around the world.

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