



# **”Asia Versus Eastern Europe?”**

## ***FDI, R&D Investments and Industry Relocation***

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HUNGARY



1. Eastern Europe's Competitiveness is up to Asia's
2. Hungary: Proud Member of the Visegrád Countries
3. Challenges to Face



## Facts of Ernst & Young Attractiveness Survey 2006 I.

*“Reality check: investors search for the right balance between risk and growth and find it in Europe”*

Eastern Europe is more attractive than other locations considering the following factors:

- Quality of life
- Infrastructure
- Labour skills
- Legal environment

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## Facts of Ernst & Young Attractiveness Survey 2006 II.

### • *Plant relocations: increasing attractiveness*

The level of plant relocations to Asia is falling (2005: 32%; 2006: 24%).

Investors prefer more and more Central and Eastern Europe.

### • *Business location: CEE is the second most popular behind Western Europe*

52% of the asked decision makers chose Central Eastern Europe as one of their three most preferred business locations.

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## Facts of Earnst & Young Attractiveness Survey 2006 III.

- ***Job creation: CEE tops the ranking***

- ***Investment location: similar positions***

Among the global top 10 countries there are two Eastern European (Poland and Czech Republic) and two Asian (India and China) countries.

- ***Potential business location: Europe's image has approved by 10%***

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## Eastern Europe Plays a Leading Role in Developing High-technology Industries

- |                                       |   |
|---------------------------------------|---|
| <b>1. Switzerland</b> (52 points)     | <b>10. South Korea</b> (27 points)          |
| <b>2. Sweden</b> (44 points)          | <b>12. Germany</b> (26 points)              |
| <b>3. USA</b> (40 points)             | <b>13. Japan</b> (20 points)                |
| <b>4. Ireland</b> (38 points)         | <b>16. Austria</b> (15 points)              |
| <b>5. The Netherlands</b> (33 points) | <b>16. France</b> (15 points)               |
| <b><u>6. Hungary</u></b> (31 points)  | <b>19. Norway</b> (12 points)               |
| <b>7. Belgium</b> (29 points)         | <b>20. Italy</b> (10 points)                |
| <b>7. Canada</b> (29 points)          | <b><u>21. Czech Republic</u></b> (8 points) |
| <b>9. Great Britain</b> (28 points)   | <b><u>23. Poland</u></b> (6 points)         |
| <b>10. Finland</b> (27 points)        | <b>25. Portugal</b> (1 points)              |

Source: OECD - Science,  
Technology & Industry Scoreboard

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## Dynamic Macroeconomic Growth Serves as the Base for Favourable Investment Conditions in Hungary

	2002	2003	2004	2005
Gross Domestic Product (%)	3.5	2.9	4.2	4.1
Industrial production (%)	2.8	6.4	8.3	7.3
Exports (%-volume)	5.9	9.1	18.4	10.8
Imports (%-volume)	5.1	10.1	15.2	5.3
Consumer prices (%)	5.3	4.7	6.8	3.6
FDI*	3.2	1.9	3.7	5.3
Unemployment rate (%)	5.9	5.8	6.1	7.2

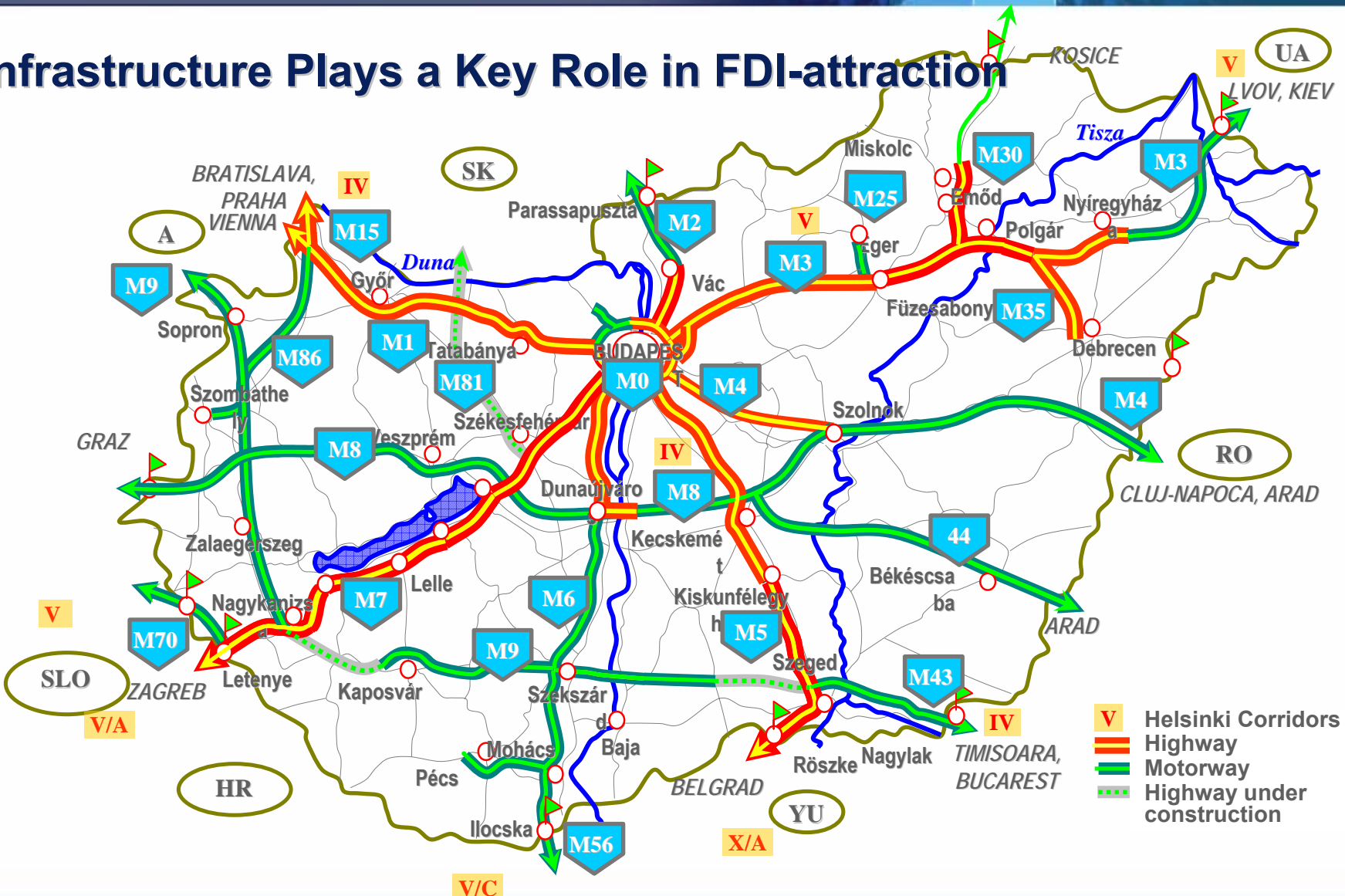
Source: Ministry of Economy and Transport

\*Euro billion

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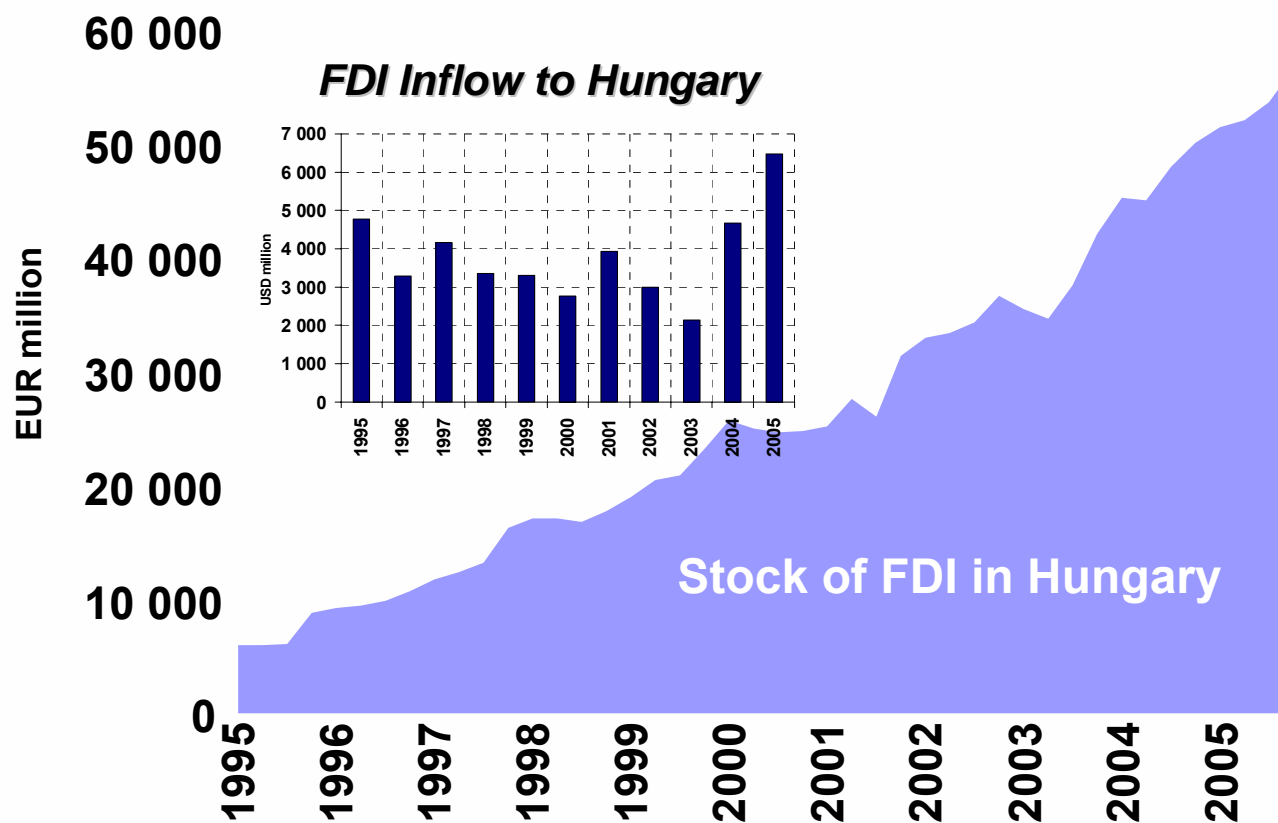
# Infrastructure Plays a Key Role in FDI-attraction







## FDI Growth as the Main Focus of Government Policy

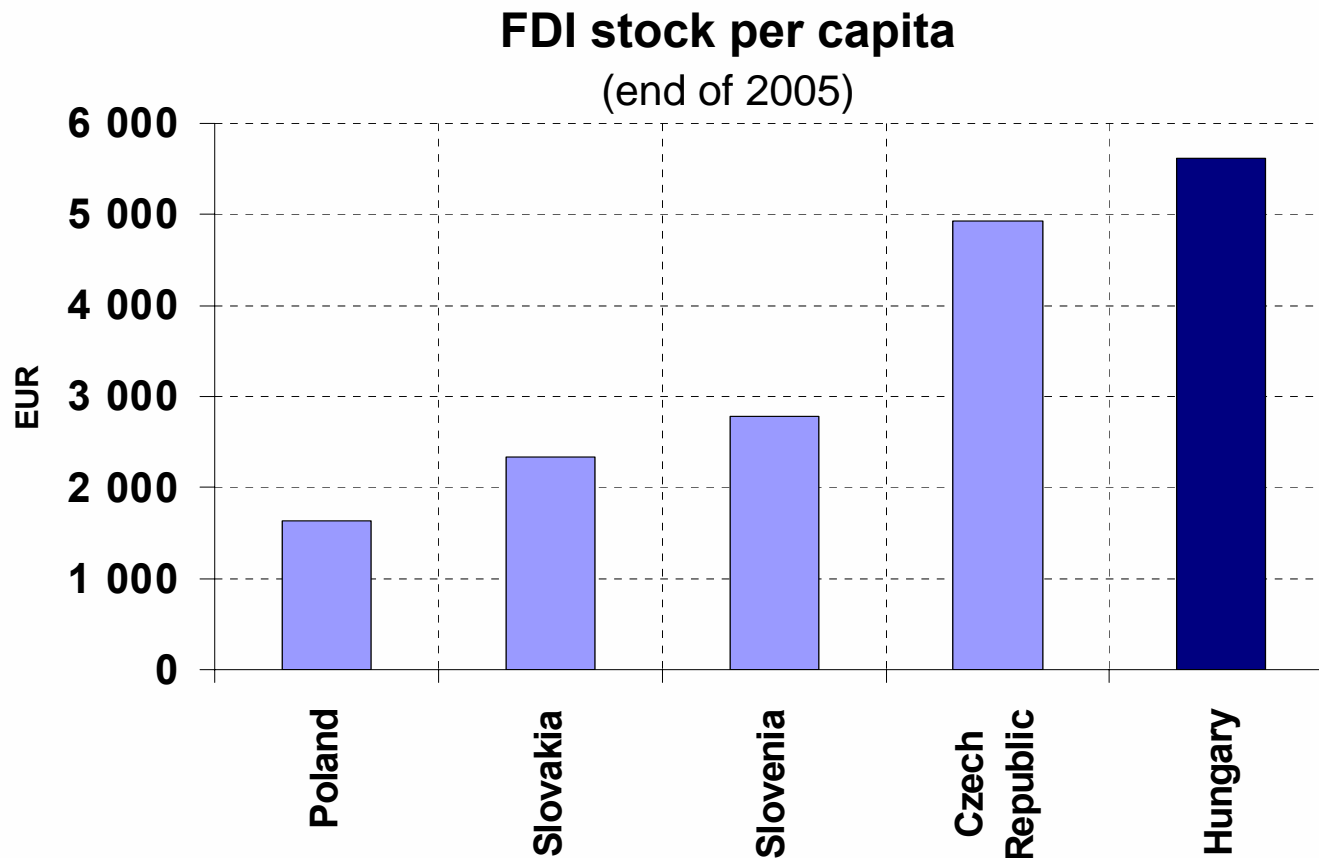


Source: National Bank of Hungary

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## Hungary is a Preferred Target of FDI in the Region



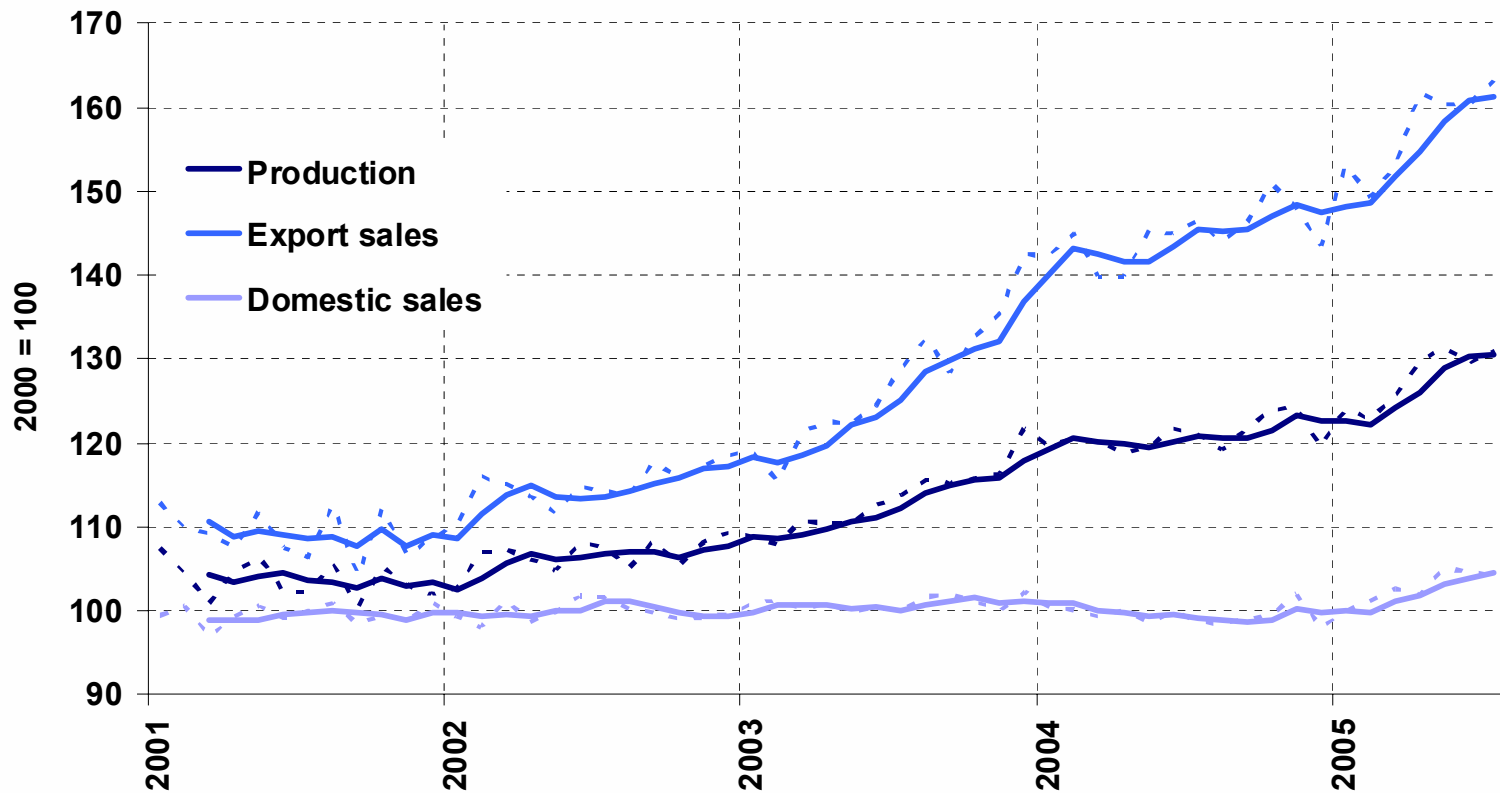
Source: National banks

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# Hungarian Industrial Output Growth is Boosted by Export Sales

## Industrial output\*



\*Seasonally and working day adjusted figures

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## Major Asian Companies Choose Hungary as Investment Location



- Suzuki
- Bridgestone
- Hankook Tire
- Asahi Glass
- Samsung
- Denso
- TATA



- Sony
- TDK
- Sanyo
- Ibiden
- Sews
- Hisense



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## **Two Areas to be Strengthened in Eastern Europe**

### ***1. More effective enhancement of establishing regional corporate centres***

(there is a growing number of such investments in CEE but India keeps still the leading position)

### ***2. We cannot and do not want to take part in the competition for low cost investments. We need significantly more sources on R&D-enhancement***

(Hungary has set aside a huge amount of sources within our National Development Plan for R&D in 2007-2013)

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## **”Europe’s Future Dynamics”**

*Earnst & Young Attractiveness Survey 2006*

- 1. Increased flexibility**
- 2. Simplified level of regulation**
- 3. Further concentration on innovation**

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**Dziękuję za uwagę Państwa !**

**Thank you for your kind attention!**

