

EXPORT OPPORTUNITIES IN EASTERN EUROPE

Compiled by the U.S. and Foreign Commercial Service

SLOVAKIA

Reforms and Restructuring Provide Opportunities

Slovakia will be 10 years old in 2003 and is finally coming into its own and making its mark in central Europe. This country of 5.6 million people used to be part of Czechoslovakia and like the Czech Republic, it aspires to join the European Union. Slovakia also has longer term hopes to join the Czech Republic as a member of NATO. The Slovak government started to focus on macroeconomic stabilization and structural reforms in 1998 in order to build a base for long-term prosperity. Slovakia's progress has been swift and in 2000 it became a member of the Organization for Economic Cooperation and Development (OECD). GDP grew by more than two percent in 2000 and is expected to grow about three percent in 2001.

Among the areas offering the best export potential for U.S. business are:

- Capital goods;
- Information and communication systems;
- Financial services; environmental products and services;
- Management services; and
- Production processes.

Several state-run enterprises are being privatized and many enterprises are rapidly restructuring and need to modernize their equipment and methods. U.S. companies and products have a positive image in Slovakia and U.S. technology enjoys an excellent reputation.

U.S. exports to Slovakia reached \$224.20 million in 2000, giving the United States a 2.1 percent share and placing the U.S. in 8th place among suppliers of Slovak imports. U.S. imports from Slovakia reached \$ 102.2 million, ranking the United States 9th among purchasers of Slovak exports with a 1.4 percent share.

Attracting foreign investment has become a top priority for the Slovak government. The government has developed a comprehensive series of investment incentives, which includes tax holidays and worker retraining grants. The government is also in the process of privatizing most remaining state-held firms, including banks, insurance companies and most notably the Slovak Gas Company and the Slovak Electric company, both of which may be good prospects for potential U.S. investors. The U.S. is currently the fourth largest investor in Slovakia (behind Germany, the Netherlands and Austria). One of the largest investors in Slovakia is U.S. Steel, which acquired VSZ Steelworks in eastern Slovakia.

The U.S. Commercial Service of the U.S. Embassy in Bratislava is the one-stop-shop for U.S. exporters that want to find an export niche in Slovakia. Please contact us by telephone (+421-2-5296-1079), fax (+421-2-5296-1085) or Email Bratislava.Office.Box@mail.doc.gov. To learn more about U.S. Commercial Service programs, visit www.usatrade.gov, where you can also view our 15 minute webcast on doing business in Slovakia.

HUNGARY

A Prospective EU Member With Good Business Opportunities

Hungary, along with Poland and the Czech Republic, is well positioned to become one of the newest members of the European Union as early as 2004. This development is creating excellent opportunities for American companies doing business with Hungarian organizations. The U.S. Commercial Service in Budapest has implemented a comprehensive and customized range of products and services for American companies looking to do business in this growing and transitioning economy. The time to tap into this market is now.

Since the political and economic changes of 1989, Hungary has steadily developed into one of Central Europe's most attractive business environments. The level of political, structural and

economic stability it has achieved demonstrates the success of its transition to a modern market economy.

As a result of that stability, Hungary continues to be an excellent market for U.S. goods and services. It has had sustained economic growth of higher than four percent every year since 1997. In 2000, gross domestic product (GDP) grew at 5.2 percent, the highest in the Central and Eastern Europe region and well exceeding the average of the EU.

As has historically been the case, Hungary is a crossroads for trade in Europe. With the prosperous EU to the west and economically advancing nations to the south and east, Hungary offers not only an export market itself, but a central distribution point for the region.

U.S. exports to Hungary reached \$1.22 billion in 2000, up 26 percent over 1999, as reported by the Hungarian Ministry of Economic Affairs. Leading U.S. exports to Hungary include automotive parts, computer equipment, measuring instrumentation, tapes and disks. Meanwhile Hungary's exports to the U.S. increased from \$1.9 to \$2.7 billion, according to the U.S. Census Bureau. Hungary's principal exports to the U.S. include electrical machinery, machine tools, vehicles (non-railway) and organic chemicals.

Although Hungary has strong trade ties with its European neighbors, the United States is its sixth largest overall trading partner, according to Hungarian trade statistics for 2000. But interestingly enough, the U.S. could be considered Hungary's second largest export market at \$2.7 billion (using U.S. statistics), as compared to Germany at \$10.5 billion, Austria at \$2.5 billion, Italy at \$1.6 billion and the Netherlands at \$1.5 billion (using Hungarian statistics).

Hungary continues to outpace its Central and Eastern European neighbors in terms of GDP growth with its

5.2 percent increase in 2000. This surpasses the 1999 level by a full percentage point and represents Hungary's highest annual growth of the decade. Fueling this growth was the surge in Hungarian exports (21.7 percent) resulting from the comparative weakness of the Hungarian forint to the U.S. dollar, as well as factors at play in the European Union. While Hungarian export sales were the major growth factor, domestic industrial sales were also significantly improved, growing by nine percent in 2000.

BEST PROSPECTS FOR U.S. EXPORTS

In this past year manufacturing has been one of the principal growth sectors in Hungary. In 2000, the manufacturing sector accounted for 77 percent of gross industrial production, 57 percent of domestic sales and 94 percent of industrial exports. Output in the manufacturing sector increased 18.3 percent in 2000.

Within the overall manufacturing sector, the electric machine and instrument category is considered to be one of the best growth prospects in the coming years. The electric machine and instrument category comprises the manufacture of telecommunications devices, transmission technology devices, electrotechnical consumer goods, such as TV sets, videocassette recorders, radio receivers, CD players, electronic parts (semiconductors, resistors, condensers, electromechanical parts) and components. Gross production in the sector grew by 55 percent and yielded 25 percent of Hungary's total industrial production (and 40 percent of its exports). Consumer goods and consumer electronic devices account for the largest part of both production and exports.

The other major growth area is the Hungarian automotive sector. Almost 14 percent of total Hungarian industrial output (and 24 percent of total Hungarian exports) is accounted for by

the vehicle manufacturing industry in Hungary. Two significant sectors of this industry are motor vehicle manufacturing and automotive parts manufacturing. There has been a rapid development of the Hungarian automotive industry to world-class levels in order to serve the European market. Hungary has experienced especially dynamic development in the manufacture of electric parts for vehicles.

COMMERCIAL SERVICE IN BUDAPEST

As the facts and figures on trade demonstrate, Hungary is a very attractive place for American companies to do business. The Commercial Service's office in Budapest has implemented a comprehensive but customized range of products and services for American companies looking to do business in Hungary. ■

For more information about these products and services please contact: U.S. Commercial Service — Budapest, Hungary

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