European Horizons:

PATHWAYS FOR SINGAPOREAN BUSINESS EXPANSION

Navigating Market Entry through Hungary and Central and Eastern Europe 2024/2025

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Singapore Manufacturing Federation

Hungarian Investment Promotion Agency (HIPA)

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Foreword

"Success is built on strong alliances, and the EU offers Singaporean businesses an unparalleled platform for sustainable growth and innovation."

The global economic landscape continues to transform rapidly, bringing forth both challenges and opportunities for businesses aiming to expand their reach. For Singaporean enterprises, the European Union (EU) remains a promising and diverse market that fosters innovation, collaboration, and growth.

This Whitepaper, ***"European Horizons: Pathways for Singaporean Business Expansion,"*** offers a comprehensive roadmap for navigating the dynamic EU marketplace. With actionable insights on taxation, labour costs, logistics, legal frameworks, and market entry strategies, it equips our businesses with the knowledge to confidently venture into this thriving region. Central Europe, with its strategic geographic position, vibrant economies, and robust infrastructure, plays a pivotal role in this journey. Within this context, Hungary emerges as an essential gateway, connecting Asian enterprises with the expansive EU single market and facilitating meaningful partnerships.

As President of the Singapore Manufacturing Federation (SMF), I take immense pride in supporting our members' internationalisation efforts. This initiative reflects SMF's commitment to empowering Singaporean businesses to explore new frontiers and leverage opportunities abroad. Collaboration has been key in bringing this project to fruition, and I would like to express my deepest gratitude to our esteemed research partners, the Hungarian Investment Promotion Agency, and other stakeholders for their valuable contributions.

I would also like to extend my sincere appreciation to our SMF members and sponsors, whose unwavering support and dedication have been instrumental in realising this initiative. Their contributions ensure that this Whitepaper serves as a vital resource for businesses across industries.

As we look ahead, let us seize the opportunities presented by this collaboration to deepen ties between Singapore and the European Union. As I often say, "Success is built on strong alliances, and the EU offers Singaporean businesses an unparalleled platform for sustainable growth and innovation." This Whitepaper is a call to action—an invitation to Singaporean enterprises to boldly pursue opportunities in Central Europe and beyond.

Together, we can unlock new horizons and ensure the continued success of our business community on the global stage.

Lennon Tan
President, Singapore Manufacturing Federation
31 January 2025

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This Whitepaper was prepared by the Rothman & Roman Intelligence Unit based in Singapore, Brussels, and Budapest, part of Rothman & Roman Group.

TABLE OF CONTENTS

Section1

Overview of the European Union 4

Why Invest in the European Union? 6

1. The European Union: A Global Economic Powerhouse 6
2. Political Landscape 8
3. Economic Dynamics and Trends 9
4. Europe’s Biggest Economic Challenge: The Automotive Sector 10

Understanding the European Union 11

Overview of the 27 EU Member States 16

EU Regulation Overview 22

1. Consumer Protection Regulations 22
2. The EU Green Deal: Key Sustainability Regulation 24
3. Other Key Sustainability-Related Regulations 27
4. EU Quality Assurance Systems 29
5. Regulations for Automotive and Battery Manufacturers 30
6. Regulations on Third-Country Investment in the EU 31
7. Navigating the EU Regulatory Landscape 32
8. Future Plans of the EU 33

Section 2

The Automotive Industry in the EU 34

Introduction 36

Automotive Geography of the European Union 38

Transitioning to Electric 39

Germany, the Key Country for Automotive Industry in the EU 40

Section 3

Innovation and Startup Ecosystem in Europe 44

Global Fintech Ecosystem: Key Rankings 47

European Fintech Landscape 48

Major Media Outlets, Main Information/ Communication Source For Startups, VC-s 49

Key Networking Events 50

Professional Organisations 52

European Startup Incubator Programmes 53

Digital and Fintech Regulations 53

Section 4

Europe's Research and Development Landscape 60

Leading Universities and Innovation 62

Comparative Global Performance 63

R&D Sources 63

1. Public R&D Funding in the EU 64
2. EU Funding Programmes 65
3. Application Process and Requirements 68
4. Tax Incentives 69
5. Additional Funding Sources 70
6. Opportunities for Asian Investors and Researchers 71

Section 5

Emerging EU - Central Eastern Europe 72

The Central, Eastern and Southern European Emerging Region 74

Production Hub of the German Economy 75

Advancing but Maintaining Cost Competitiveness 78

The Euro and the Local Currencies 79

Urban Areas in the CEE Region 80

Competing with Taxes 82

Detailed Taxation Outlook of the V4 Countries 83

Infrastructure Overview 89

Section 6

Case Study: Hungary, the Gateway to the EU for Asia 94

Hungary - the Gateway to Europe 96

Political Landscape – Stability Matters 97

Economic Environment 100

The Hungarian Labour Market 101

Hungary’s Regions and Key Economic Activities 103

Launching a Business 111

Hungary’s Trade and Investment Agreements 114

Investment Support 116

Interviews 120

Living in Hungary 126

Appendice: References 149

Table of Figures

Figure 1.	Economic Output Major Countries	6
Figure 2.	Population, GDP, Major Countries	7
Figure 3.	Adjusted Export Figures	9
Figure 4.	Population, Language and English Proficiency	16
Figure 5.	Average Monthly Salaries by Country (EURO)	21
Figure 6.	EU Countries by Corporate Tax Levels	21
Figure 7.	Total Automotive Market in the EU, China and the US	37
Figure 8.	EV Sales and Market Share in 2023	37
Figure 9.	VW Production Centres in Europe	40
Figure 10.	Mercedes-Benz Group AG Production Centres in Europe	41
Figure 11.	BMW Group Production Centres in Europe	41
Figure 12.	Automotive Share of Total Manufacturing	76
Figure 13.	Export-to-GDP Ratio Per Country (V4)	76
Figure 14.	Top Export and Import Partners Per Country	77
Figure 15.	Volume Indices of GDP Per Capita in V4, 2023	78
Figure 16.	Inflation (Expected)	78
Figure 17.	As of 31 December 2024, the ECB official exchange rates for 1 euro (EUR)	79
Figure 18.	Functional Urban Area Populations, Capital Cities	81
Figure 19.	Number of People in Million Living in Cities (With 50,000+ Population)	81
Figure 20.	Corporate Tax Rates by Country	82
Figure 21.	Comparative Table of Tax Rules of V4 Countries	88
Figure 22.	Internet Penetration Rate Per Country	89
Figure 23.	Fixed Broadband Subscriptions	89
Figure 24.	Mobile Broadband Subscriptions	89
Figure 25.	Road and Motorway Density	90
Figure 26.	Railway Density	90
Figure 27.	Electrification Rate	91
Figure 28.	Renewable Energy Share	93

SECTION 1

Overview of the European Union

Why invest in the European Union? 6

1. The European Union: A Global Economic Powerhouse 6
2. Political Landscape 7
3. Economic dynamics and trends 8
4. Europe's Biggest Economic Challenge: The Automotive Sector 10

Understanding the European Union 11

Overview of the 27 EU member states 16

EU regulation overview 22

1. Consumer Protection Regulations 23
2. The EU Green Deal: Key Sustainability Regulation 24
3. Other key Sustainability-Related Regulations 27
4. EU Quality Assurance Systems 29
5. Regulations for Automotive and Battery Manufacturers 30
6. Regulations on Third-Country Investment in the EU 31
7. Navigating the EU Regulatory Landscape 32
8. Future Plans of the EU 33

Why invest in the European Union?

1. The European Union: A Global Economic Powerhouse

Economic Strength and Global Impact

The European Union (EU) is one of the world's top three economic superpowers, alongside the United States and China. Together, these three economies produce over 60% of the world's economic output. The EU accounted for 17.6% of global Gross Domestic Product (GDP) in 2023, just ahead of China's 16.8%. Including nearby economies like Norway, Switzerland, and the United Kingdom, Europe's share grows to 22%, showcasing its significant role in the global economy.

The EU's purchasing power further highlights its economic strength. Among the three leading economic zones, disposable income - what households have left to spend or save after taxes—is by far the highest in Europe and the United States. On average, disposable income in the EU is more than twice that of China, reflecting the strong spending power of European households.

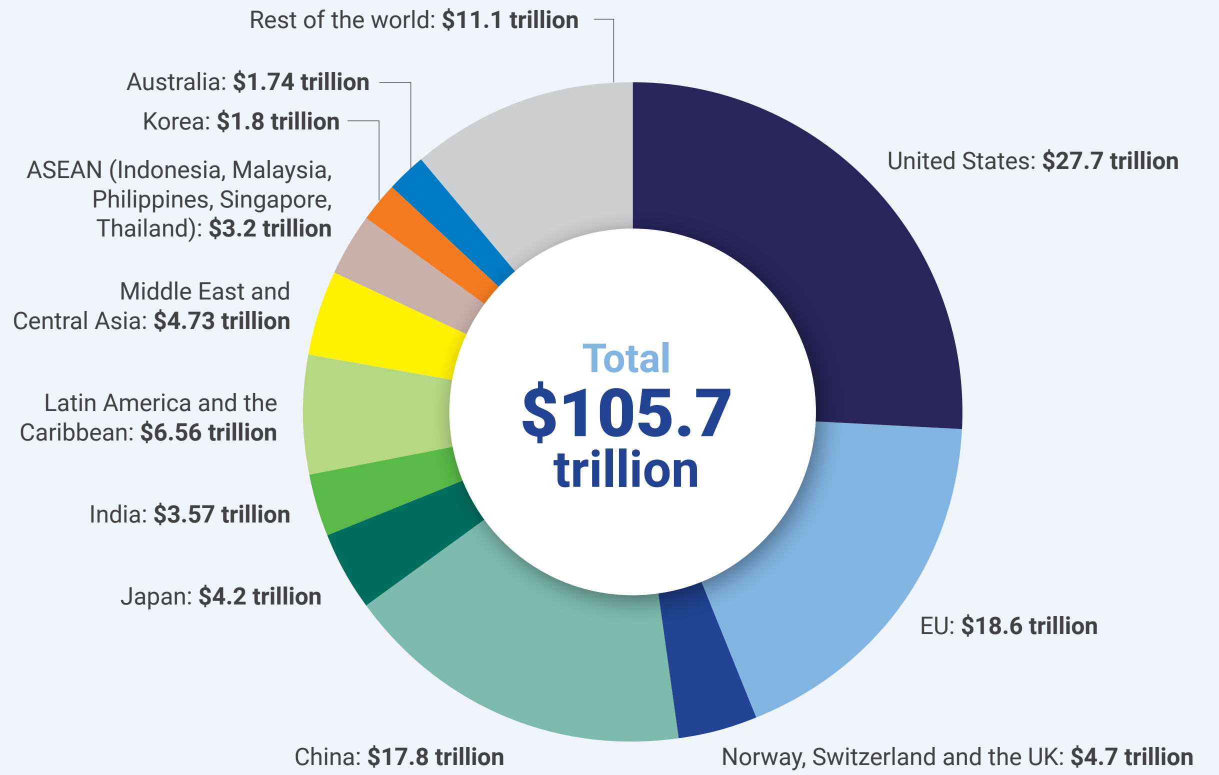


Figure 1. Economic Output of Major Countries, 2023

Sources: International Monetary Found (IMF) World Economic Data and OECD

Household disposable income per capita, 2023 (USD)

United States	Germany	EU Average	China
$61,291	$42,417	$32,929	$5,350

Organisation for Economic Cooperation and Development (OECD) Statistics:
Disposable Income and GDP per Capita: OECD Data

National Statistical Offices:
China: National Bureau of Statistics of China (www.stats.gov.cn)
United States: Bureau of Economic Analysis (www.bea.gov)

The European Union is the second most populous of the three global superpowers, with nearly half a billion citizens. It also boasts the most equally distributed income, which enhances its potential by creating a broader consumer base compared to more unequal regions of similar size. The Gini Coefficient, which measures income inequality, averages around 0.3 in the EU, compared to 3.8 in China and an even higher figure in the United States.

China	
Population:	1,425.9 million
GDP:	$17.8 trillion
GDP per Capita (PPP):	$21,300
Gini Coefficient:	0.38

European Union	
Population:	447.0 million
GDP:	$18.6 trillion
GDP per Capita (PPP):	$47,600
Gini Coefficient:	0.30

United States	
Population:	333.3 million
GDP:	$27.7 trillion
GDP per Capita (PPP):	$76,400
Gini Coefficient:	0.41

Japan	
Population:	125.7 million
GDP:	$4.2 trillion
GDP per Capita (PPP):	$48,800
Gini Coefficient:	0.33

United Kingdom	
Population:	67.5 million
GDP:	$3.3 trillion
GDP per Capita (PPP):	$51,400
Gini Coefficient:	0.35

ASEAN	
Population:	680.0 million
GDP:	$3.2 trillion
GDP per Capita (PPP):	$15,200
Gini Coefficient:	0.38

Figure 2. Population, GDP in Major Countries, 2023

Sources: International Monetary Fund (IMF) World Economic Data and OECD

2. Political Landscape

The European Union is composed of 27 member states, forming a single market based on the Four Freedoms: the free movement of goods, services, people, and capital.

The Four Freedoms, first articulated in the Treaty of Rome (1957) and having been refined and expanded through subsequent treaties, are the foundational principles that ensure the seamless functioning of the single market, and cover the key aspects of economic and personal interaction across EU member states.

FOUR FREEDOMS

The Free Movement of Goods ensures that goods can move freely between EU member states without tariffs, quotas, or other trade barriers.

Free Movement of Services allows businesses and individuals to offer services across member states without restrictions, enabling cross-border provision of professional, commercial, or financial services.

Free Movement of People guarantees that EU citizens can live, work, study, and retire in any member state without discrimination based on nationality. This freedom is crucial for labour mobility.

Free Movement of Capital enables money, investments, and financial transactions to flow freely across borders, allowing individuals and businesses to invest or transfer funds without restrictions.

These freedoms establish a unified market supported by a distinctive political leadership structure.

The EU's governance is unique and significantly different from that of both the United States and China. While the U.S. operates under a federal system with a strong central government, and China under a centralised regime, the EU functions as a supranational entity where sovereignty is shared among its member states. Decision-making in the EU often requires consensus or qualified majority voting. This ensures that while larger nations such as Germany and France hold considerable influence due to their economic and political power, smaller member states also retain substantial leverage. They can exercise veto rights or form coalitions to block legislation, ensuring their interests are protected.

Despite its complex political processes, the EU remains one of the most stable regions globally in terms of the rule of law. While right-wing parties are gaining strength across Europe—a trend mirrored in other parts of the world—their primary focus tends to be on immigration control rather than disrupting economic stability. Some far-right factions do express separatist ideas or scepticism toward deeper EU integration. However, these proposals are widely viewed as unrealistic. The economic and political fallout from Brexit has reinforced the understanding among most EU citizens of the importance of the single market and the severe consequences of harming this unified economic framework, making broad support for leaving the EU unlikely.

3. Economic Dynamics and Trends

Europe's economy is heavily industry-oriented, and among its various strong sectors, the automotive industry stands out as the most robust. Germany leads the European automotive market with its renowned brands, holding an impressive 35% share of the global luxury car market. France also contributes significantly with its globally recognised manufacturers, while Italy, though smaller in scale, continues to produce its iconic car brands domestically.

Other EU countries, even without their own major car brands, play vital roles as production hubs. For example, Spain produces more cars than France, largely through German and French car affiliates. Similarly, Central and Eastern European (CEE) countries have become key manufacturing centres for primarily German brands, with the automotive sector contributing the highest percentage to GDP in this region.

Thanks not solely, but significantly, to its vast automotive industry, the European Union (excluding intra-EU trade) is the world's second-largest exporter of goods, accounting for about 10.8% of the global merchandise export market. Comparatively, China holds a larger share at 14.2%, while the United States accounts for 7.3%.

The importance of the EU's industry, particularly its automotive sector, is also evident in research and development (R&D) spending. For the past two decades, the top three contributors to R&D spending in the EU have been automotive companies. This stands in contrast to the United States, where tech firms dominate R&D investment.

The EU is also one of the world's largest exporters of services. However, even in this area, industrial output plays a major role, as a substantial portion of EU service exports is tied to its industrial products. (To provide accurate comparisons, adjusted metrics are used for global service export data, as U.S. tech companies' service exports are significantly underreported in World Trade Organisation (WTO) statistics due to accounting practices. Rough estimates suggest the actual U.S. service export figures may exceed those of the EU, making the EU the second-largest global service exporter. Despite this, the EU remains a leading player in the global service market.)

Adjusted Export Figures (2022, Excluding Intra-EU Trade)

1. Adjusted WTO Export Data with U.S. Services Adjustment

Region	Goods Exports (USD Trillion)	Services Exports (USD Trillion)	Total Exports (USD Trillion)	Global Share (%)
United States	$1.84	$1.548	$3.388	10.54%
European Union	$2.72	$1.04	$3.76	11.70%
China	$3.59	$0.348	$3.938	12.24%
Rest of World	$17.15	$3.917	$21.067	65.52%
Total	**$25.3**	**$6.853**	**$32.153**	**100%**

Figure 3. Adjusted Export Figures

***Adjustment with** $753 billion in international revenues from US tech companies like Apple, Microsoft, Amazon, and Alphabet.*

The European Union is often viewed from abroad as a challenging and highly regulated market, characterised by strong environmental and social standards, high salaries, and taxes. These factors, combined with slower growth potential, can make Europe seem not only expensive but also moderately business-friendly for investment, particularly in manufacturing.

While these concerns have some basis, they often arise from a limited understanding of the European single market. The EU includes some of the wealthiest advanced economies, as well as an emerging region with a population of 103 million. This diversity extends beyond languages to significant variations in costs and economic conditions.

The single market can be broadly divided into three tiers: high-salary regions in Western Europe, moderate-cost regions in Southern Europe and some Baltic states, and low-cost regions primarily in Central and Eastern European (CEE) countries. This diversity provides businesses with a wide range of opportunities to align investment strategies with varying cost structures across the EU.

4. Europe's Biggest Economic Challenge: The Automotive Sector

Europe's most pressing economic challenge today lies in the competitiveness of its flagship industry, the automotive sector. Compared to its Chinese rivals, the EU's automotive industry is lagging in the transition to electric vehicle technologies and faces an even more significant disadvantage in production costs.

However, the rivalry between Germany and China is markedly different from the U.S.-China conflict. While Germany has aligned with U.S. policies during President Biden's administration, it has carefully maintained and even deepened its economic ties with China. China became Germany's largest trading partner in 2016 and has consistently held this position since, surpassing both the United States and France in total trade volume, including imports and exports. Rather than deteriorating, economic collaboration between Germany and China has grown, particularly in the automotive sector. German carmakers have substantial investments in China and depend heavily on the Chinese market for sales and growth, making this partnership vital to Germany's economic stability.

This collaboration is becoming even more critical as German automakers face challenges in adapting to new technologies. Cooperation with Chinese partners may provide a pathway for overcoming these obstacles.

Chinese Investments in the EU

Chinese investments in the EU, particularly in battery manufacturing, are on the rise. The CEE region, especially Hungary, which received 44 percent of all Chinese foreign investments in Europe in 2023, plays a pivotal role in this partnership. Hungary hosts some of the largest Chinese manufacturing investments, which, despite attracting scrutiny within the EU, are essential for meeting the high demand and addressing supply shortages faced by German manufacturers.

Hungary, in this context, serves dual purposes: advancing its own economic interests and supporting German manufacturers through its close ties with China and its welcoming approach to Asian manufacturing investments.

CEE and German Economic Interests

Hungary's supportive role is not new. For decades, CEE countries have safeguarded German economic interests, recognising the significant contributions of German companies to their own economies. A notable example is how CEE countries often oppose stricter environmental policies within the EU. This allows Germany to avoid direct confrontation on issues that could be politically sensitive at home while benefiting from the stance of its regional partners.

These dynamics highlight a strong and enduring interest within the broader European economy to welcome and support Asian investors. They also suggest the potential for a deepening partnership between Europe and China, which could be prioritised if U.S. policies become increasingly confrontational toward both China and Europe. This evolving relationship underscores the importance of strategic alignment in navigating global economic and geopolitical shifts.

Understanding the European Union

An "Invisible" Entity

The European Union (EU) can seem confusing to businesses from outside Europe, as it functions differently from federal systems like the United States or centralised systems like China. While the EU sets overarching rules for its 27 member states, businesses primarily interact with national authorities in the country where they operate. This makes the EU feel like an "invisible entity" for businesses—it is present in rules but not in direct institutional interactions.

EU Rules - National Enforcement

The EU sets the overarching legal and regulatory framework through directives, regulations, and standards. These rules ensure consistency across all 27 member states, creating a single market where goods, services, people, and capital can move freely. However, the enforcement and implementation of these rules are delegated to local institutions in each country, meaning businesses interact with national—not EU—authorities.

How does it work – through some examples

Product Standards: Conformité Européenne (CE)

A company manufacturing electronics in Spain must meet EU standards for safety and performance to sell its products across the EU. Once the product is certified and granted the CE marking by a national testing body (e.g., AENOR in Spain or Germany's TÜV), the product can be sold in any EU country without further approvals.

Data Privacy: General Data Protection Regulation (GDPR)

GDPR is an EU-wide regulation for data protection. However, businesses comply with GDPR by interacting with their national Data Protection Authority (e.g., the Commission Nationale Informatique & Libertés (CNIL) in France or the Information Commissioner's Office (ICO) in the UK before Brexit). The EU created the GDPR framework, but enforcement happens through these national institutions.

Banking and Financial Services: Passporting

A bank licensed in one EU country (e.g., Luxembourg) can provide services across the EU without additional licenses. Passporting allows businesses to deal with one local regulator (e.g., Luxembourg's Commission de Surveillance du Secteur Financier (CSSF)) while accessing the entire EU market. The EU enables passporting, but the bank only interacts with the national regulator where it is headquartered.

Trade and Customs

While the EU has a customs union and common external tariffs, businesses importing goods deal with national customs authorities (e.g., Germany's Zoll) rather than an EU-level customs agency. The EU defines customs policies, but national authorities handle their implementation.

These processes are unique compared to other large unified markets. For example, in the United States, data privacy is fragmented, with no single federal regulation equivalent to to GDPR in the EU. Businesses must often comply with state-specific laws, such as the California Consumer Privacy Act (CCOA), and navigate multiple layers of compliance.

In contrast, China's Personal Information Protection Law (PIPL) is enforced centrally by authorities like the Cyberspace Administration of China (CAC), establishing a direct link between businesses and the central government.

A similar difference is evident in the financial sector. In the U.S., banks must adhere to federal regulations from institutions like the Federal Reserve and Federal Deposit Insurance Corporation (FDIC), while also complying with state-level rules if they operate across multiple states. In China, by contrast, financial institutions are regulated centrally by bodies like the People's Bank of China (PBOC), which enforces rules uniformly throughout the country.

In summary, for businesses entering the EU, the experience can feel much like operating in a single country. This is thanks to the EU's unique structure, where rules are harmonised across all member states, ensuring consistency and predictability, while enforcement is carried out by local institutions.

Harmonised Rules:
The EU establishes a unified legal framework that applies equally across all member states. Licenses or certifications obtained in one country are valid EU-wide, eliminating the need for redundant approvals.

Local Enforcement:
Businesses interact solely with national authorities—such as tax offices, labour inspectors, and regulators—within the country where they operate rather than with EU-level institutions.

This approach combines the benefits of a unified market with the familiarity of localised processes, making the EU a distinct and streamlined environment for businesses.

EU institutions

The European Union's legislative process revolves around the **European Commission, the Council of the European Union, and the European Parliament**, each playing distinct but interconnected roles.

The European Commission, led by its President and composed of Commissioners appointed by member states, acts as the **executive branch** and is the **sole initiator of most EU legislation**. It proposes regulations and directives based on the EU's treaties and strategic goals, shaping the policy agenda.

The Council of the European Union, **representing the member states**, is where national governments, through their ministers, **negotiate and decide** on the acceptability of proposed legislation. **This institution is central to determining the final form of regulations**, as it ensures the alignment of laws with the interests of the member states. The presidency of the Council rotates among member states every six months, and key decisions are made collaboratively, often reflecting complex compromises.

The European Parliament, composed of directly elected representatives, works as a co-legislator alongside the Council. It debates, amends, and **approves legislation**, ensuring the democratic representation of EU citizens. While the Parliament does not initiate laws, it plays a crucial role in shaping and finalising them through negotiations with the Council.

In this process, the European Commission drafts the proposals, the Council ensures that the regulations align with member state priorities, and the Parliament provides democratic legitimacy and oversight.

Final laws must receive approval from both the Council and the Parliament, ensuring a balance between member state interests and public representation. Key leadership positions like the President of the Commission and the rotating presidency of the Council symbolise the shared governance and collaborative nature of the EU's institutional framework.

Introduction to Business Regulation in the EU

While the EU establishes rules to harmonise standards across member states, many important aspects of business operations remain regulated at the national level, such as labour laws and taxation. This dual structure offers the advantages of a vast, unified market while preserving competition among member states in critical areas.

What the EU Regulates

Customs Union, Trade and Competition: The European Union (EU) operates a unified customs framework that eliminates internal duties among member states and establishes a Common Customs Tariff (CCT) for imports from non-EU countries, thereby simplifying cross-border trade. Additionally, the EU enforces competition policies that regulate mergers, state aid, and monopolistic practices to ensure fair competition and the effective functioning of the single market.

Value Added Tax (VAT) in cross-border transactions: While individual EU member states determine their own VAT rates, the European Union operates a common VAT system to support the smooth functioning of the single market. This harmonised framework facilitates trade and reduces administrative burdens across member states. In business-to-business (B2B) transactions, the reverse charge mechanism shifts the VAT accounting responsibility from the supplier to the customer. Under this mechanism, the supplier issues an invoice without VAT, and the customer, if a taxable person, declares both the output VAT (the VAT on the sale) and the input VAT (the VAT on the purchase) in their VAT return. This process effectively nullifies the VAT charge, provided the customer has full deduction rights.

VAT One Stop Shop (OSS): Simplifies VAT obligations for businesses engaged in cross-border business-to-consumer (B2C) e-commerce. It allows companies to report and pay VAT for all EU sales through a single online portal in their home country. This reduces the need to register in multiple member states, easing administrative burdens and ensuring compliance with EU VAT regulations.

Consumer Protection: EU-wide rules for product safety, digital transactions, and consumer rights ensure a consistent level of protection across the single market.

Data Protection: GDPR provides a unified framework for personal data handling, applicable to all businesses operating in the EU or handling EU citizens' personal data.

Intellectual Property: EU-level frameworks streamline protections for trademarks, patents (via the European Patent Office), and copyrights, simplifying cross-border IP management.

Environmental and Climate Law: Regulations such as the Emissions Trading System (ETS), waste directives, and sustainability goals set EU-wide benchmarks, impacting industries like manufacturing and energy.

Employment and Labour: The EU establishes **minimum legal requirements** for working conditions, anti-discrimination, and cross-border worker rights (e.g., posted workers), while **specifics remain under national labour laws**.

Health and Safety: At the EU level, the legislation sets **minimum requirements** for chemical safety and food safety across the single market (the General Food Law Regulation, hygiene regulations, labelling requirements), while **member states may impose stricter local rules** or additional requirements tailored to their national contexts. Local authorities are also responsible for inspections and enforcement.

Energy Policy: EU mandates renewable energy targets, energy efficiency standards, and market liberalisation, fostering a sustainable and competitive energy market.

Transport and Infrastructure: Harmonised safety rules and frameworks for cross-border transport networks (e.g., the Trans-European Transport Network - TEN-T).

Public Procurement: EU rules ensure transparency, equal treatment, and competition in public tenders, applicable to contracts above certain thresholds.

Regional Development: Funding mechanisms, like the European Regional Development Fund (ERDF), support economic cohesion and infrastructure development across less-developed regions.

Key areas regulated at the National Level

Company Formation and Corporate Law: how businesses are established, structured, and dissolved. Differences exist in requirements for incorporation, shareholder rights, and corporate governance across EU countries.

Property and Real Estate Regulations: Land ownership rules, real estate transactions, and property taxes are regulated nationally.

Employment Contracts and National Labour Laws: While the EU sets minimum standards, specific rules on employment contracts, working hours, and wage structures are managed nationally. Local labour courts and arbitration processes differ by country.

Taxes: All major forms of taxation, such as corporate income tax, capital gains tax, personal income tax, wealth tax, property tax, inheritance and gift taxes, and local business taxes, are determined and implemented by EU member states. For excise duties on products like alcohol, tobacco, and energy, the EU sets minimum standards, but member states have the discretion to establish rates above these thresholds.

The EU harmonises certain aspects of taxation, such as VAT, to simplify cross-border trade and support the single market. Directives like the Anti-Tax Avoidance Directive (ATAD) combat aggressive tax planning and ensure fair taxation across member states. Additionally, bilateral double taxation treaties between states, supported by EU guidelines, help prevent businesses from being taxed on the same income in multiple countries.

Licensing and Permits: National authorities oversee licensing requirements for specific industries, such as healthcare, construction, and finance. Regulations for operating licenses and business-specific permits vary across member states, while some are set out by EU law.

Bankruptcy and Insolvency Laws: National laws dictate how businesses can declare bankruptcy, restructure debt, or liquidate assets. These rules are not harmonised across the EU, leading to significant differences in procedures and outcomes.

Education and Training: National governments regulate vocational training programmes and requirements for professional qualifications. Rules about mandatory training for employees, certifications, and recognition of foreign qualifications are country-specific.

Advertising and Marketing: While there are EU-level consumer protection laws, national governments often impose specific rules on advertising practices, especially for sensitive industries (e.g., alcohol, gambling, pharmaceuticals).

Public Holidays and Business Hours: Regulations regarding opening hours for businesses, Sunday trading restrictions, and operations during public holidays are determined nationally.

Local Environmental Laws: While the EU mandates certain environmental goals and EU-wide provisions, detailed regulations for areas like zoning laws, waste disposal, and water use could be set at the national or even regional level.

Public Health Regulations: Requirements for hygiene in the workplace, food preparation, and pandemic-related business restrictions are handled nationally.

Transport Services: Rules for operating local transport services, freight logistics, and national road use tolls are determined by member states.

Insurance Requirements: National governments regulate compulsory business insurance policies, such as liability insurance or workers' compensation.

Cultural or Sector-Specific Rules: Industries such as media, publishing, and cultural goods often fall under national rules to protect cultural heritage or promote local content.

Single Currency

The euro, adopted by 20 EU countries, simplifies transactions and eliminates exchange rate risks within the eurozone, facilitating cross-border trade and investment by removing currency conversion costs, and it is widely accepted in business contracts and transactions even outside the eurozone due to its stability and global prominence.

Several Central and Eastern European (CEE) countries still use their own currencies—**Bulgaria (Lev), Czechia (Koruna), Hungary (Forint), Poland (Złoty), and Romania (Leu)**—as maintaining an independent monetary policy provides flexibility in managing economic convergence, controlling inflation, and responding to external shocks, enabling tailored policies for growth and stability prior to joining the eurozone.

Non-eurozone EU member states are obligated to adopt the euro once they meet the **Maastricht convergence criteria**, which include: an inflation rate no more than 1.5 percentage points above the three best-performing member states; a government deficit of less than 3% of GDP; a government debt-to-GDP ratio below 60%; participation in the Exchange Rate Mechanism (ERM II) for at least two years without severe tensions; and long-term interest rates no more than 2 percentage points above the three best-performing states in terms of price stability.

Denmark (Krone) and **Sweden (Krona)** do not share the same trajectory. Denmark has an official opt-out from adopting the euro, while Sweden has chosen not to adopt it by refraining from meeting the ERM II participation requirement, despite being legally obligated. These are advanced economies that prioritise retaining their independent monetary policies for reasons unrelated to economic convergence challenges.

Overview of the 27 EU Member States

The European single market consists of 27 member states, many of which have relatively small populations. The EU includes five large countries with populations exceeding 30 million: Poland, Spain, Italy, France, and Germany. These are followed by several midsize nations and smaller states with populations under 8 million.

Each EU member state has its own official language(s), reflecting the region's rich cultural diversity. English proficiency varies significantly across Europe. Northern European countries like the Netherlands, Sweden, and Denmark generally have higher English proficiency, while Southern and Eastern European countries tend to have lower levels. Nevertheless, English serves as the primary language for intra-EU business relations across the entire continent.

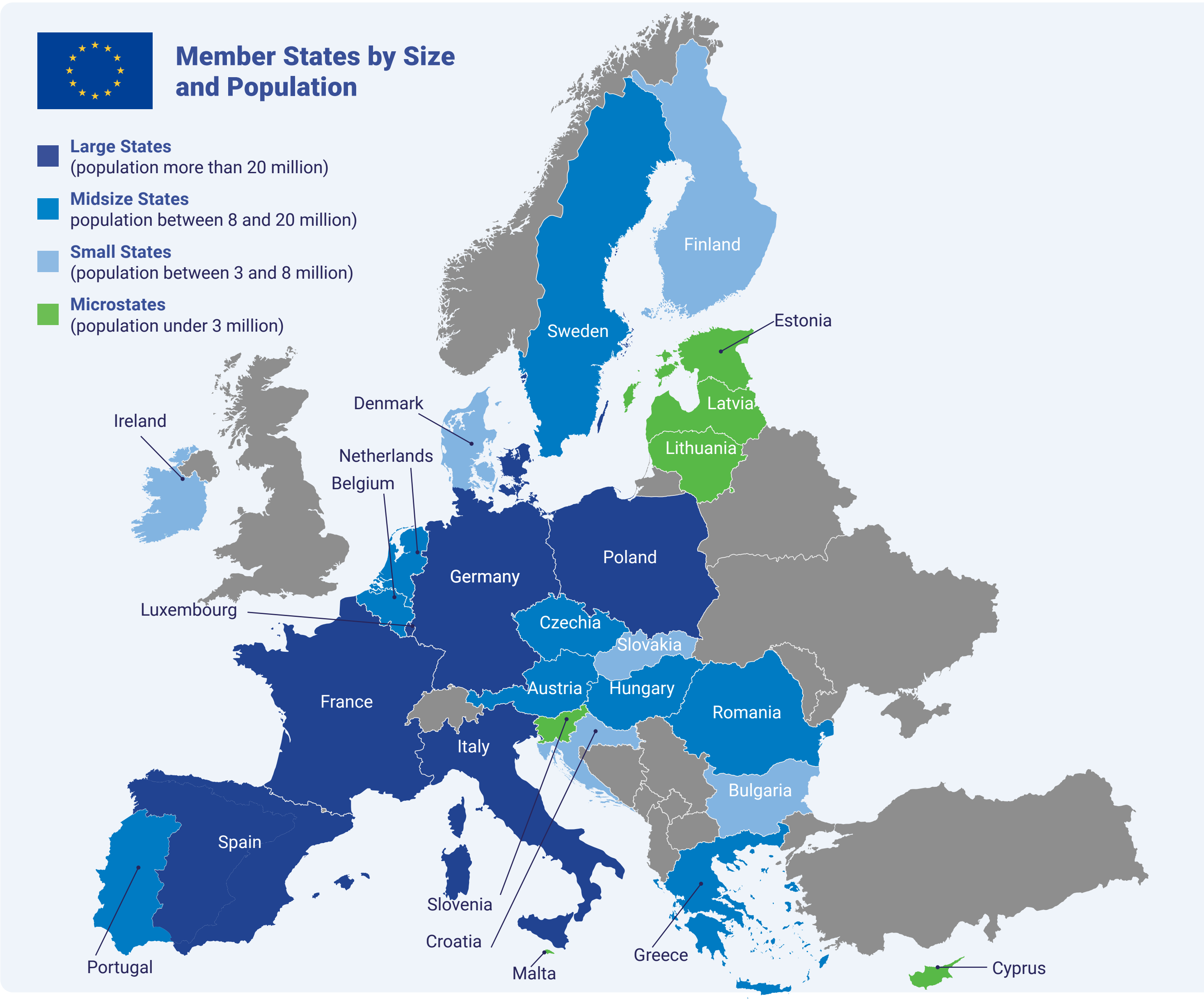


Figure 4. Population, Language and English Proficiency

The EU's diversity extends beyond culture to include critical business factors, such as workforce costs and taxation. The average salary among EU member states varies widely, with the highest in Luxembourg being six times greater than the lowest in Bulgaria. On an international scale, the lower half of the less expensive EU countries offer average employee costs comparable to those in Jiangsu province, China, and lower than the salaries in the most expensive areas of Beijing or Shanghai. This makes the Central and Eastern European (CEE) region particularly attractive for manufacturing investments.

In terms of taxation, unlike the United States, the European Union does not have a federal tax system. Taxation remains under the jurisdiction of national governments, and corporate tax rates, influenced by international competition, differ significantly among EU member states. Wealthier Western European countries typically have higher corporate tax rates, although these have decreased over the past few decades. For instance, Germany reduced its combined statutory corporate income tax rate by nearly 30% in 2000.

On the other hand, Central and Eastern European (CEE) member states stand out with some of the lowest corporate tax rates among non-offshore jurisdictions globally. Combined with their relatively low labour costs, this makes the region particularly advantageous for investors seeking cost-efficient operations. CEE countries also benefit from proximity to the affluent Western European markets, providing a strategic location for manufacturing and distribution while maintaining competitive cost structures.

Large States

(population more than 20 million)

Germany	
Population:	~83.2 million
Official language:	German
English literacy (general population):	~65%
English proficiency (young population):	~70%

Spain	
Population:	~47.5 million
Official language:	Spanish
English literacy (general population):	~38%
English proficiency (young population):	~55%

France	
Population:	~67.8 million
Official language:	French
English literacy (general population):	~39%
English literacy (young population):	~65%

Poland	
Population:	~37.7 million
Official language:	Polish
English literacy (general population):	~27%
English literacy (young population):	~70%

Italy	
Population:	~58.9 million
Official language:	Italian
English literacy (general population):	~34%
English literacy (young population):	~60%

Midsize States
(population between 8 and 20 million)

Romania

Population:	~19.3 million
Official language:	Romanian
English proficiency (general population):	~25%
English proficiency (young population):	~55%

Greece

Population:	~10.3 million
Official language:	Greek
English proficiency (general population):	~51%
English proficiency (young population):	~85%

Netherlands

Population:	~17.4 million
Official language:	Dutch
English proficiency (general population):	~90%
English proficiency (young population):	~93%

Portugal

Population:	~10.2 million
Official language:	Portuguese
English proficiency (general population):	~41%
English proficiency (young population):	~60%

Belgium

Population:	~11.6 million
Official language:	Dutch, French, German
English proficiency (general population):	~60%
English proficiency (young population):	~85%

Hungary

Population:	~9.6 million
Official language:	Hungarian
English proficiency (general population):	~30%
English proficiency (young population):	~45%

Czechia

Population:	~10.5 million
Official language:	Czech
English proficiency (general population):	~41%
English proficiency (young population):	~55%

Austria

Population:	~9.1 million
Official language:	German
English proficiency (general population):	~54%
English proficiency (young population):	~85%

Sweden

Population:	~10.5 million
Official language:	Swedish
English proficiency (general population):	90%
English proficiency (young population):	~95%

Small States
(population between 3 and 8 million)

Bulgaria

Population:	~6.5 million
Official language:	Bulgarian
English proficiency (general population):	~29%
English proficiency (young population):	~50%

Slovakia

Population:	~5.4 million
Official language:	Slovak
English proficiency (general population):	~38%
English proficiency (young population):	~60%

Denmark

Population:	~5.9 million
Official language:	Danish
English proficiency (general population):	~86%
English proficiency (young population):	~90%

Ireland

Population:	~5.1 million
Official language:	Irish, English
English proficiency (general population):	~98% (native English-speaking country)

Finland

Population:	~5.6 million
Official language:	Finnish, Swedish
English proficiency (general population):	~81%
English proficiency (young population):	~90%

Croatia

Population:	~3.9 million
Official language:	Croatian
English proficiency (general population):	~41%
English proficiency (young population):	~89%

Microstates
(population under 3 million)

Lithuania

Population:	~2.8 million
Official language:	Lithuanian
English proficiency (general population):	~62%
English proficiency (young population):	~80%

Slovenia

Population:	~2.1 million
Official language:	Slovenian
English proficiency (general population):	~59%
English proficiency (young population):	~85%

Microstates (cont'd)
(population under 3 million)

Latvia

Population:	~1.9 million
Official language:	Latvian
English proficiency (general population):	~66%
English proficiency (young population):	~85%

Luxembourg

Population:	~660,000
Official language:	Luxembourgish, French, German
English proficiency (general population):	~77%
English proficiency (young population):	~90%

Estonia

Population:	~1.3 million
Official language:	Estonian
English proficiency (general population):	~58%
English proficiency (young population):	~85%

Malta

Population:	~514,000
Official language:	Maltese, English
English proficiency (general population):	~89%
English proficiency (young population):	~90%

Cyprus

Population:	~1.2 million
Official language:	Greek, Turkish
English proficiency (general population):	~73%
English proficiency (young population):	~90%

Sources: Eurobarometer, 2023

Employee Remuneration by Member States

In 2023, average monthly salaries in Europe varied significantly. Luxembourg tops the list with €6,760/month, followed by Denmark (€5,630) and Ireland (€4,890). Countries like Germany (€4,200) and France (€3,540) also rank high, earning over €3,000/month. Midrange salaries (€2,000–€3,000) are seen in Slovenia (€2,700), Spain (€2,650), and Malta (€2,500). Hungary falls in the lower tier, with an average of €1,400/month, alongside Greece, while Bulgaria ranks the lowest at €1,125/month. This highlights substantial economic disparities across the region.

The average salary in Euro by country (Eurostat 2023 - annual salary statistic monthly average)
(The Netherlands excluded, due to methodological differences)

Over 3,000 euro/month		Mid-range, 2-3,000 euro/month		Under 2,000 euro/month	
Luxembourg	€6,760 /month	**Slovenia**	€2,700/month	**Czechia**	€1,950/month
Denmark	€5,630/month	**Italy**	€2,650/month	**Portugal**	€1,920/month
Ireland	€4,890/month	**Spain**	€2,650/month	**Latvia**	€1,875/month
Belgium	€4,800/month	**Malta**	€2,500/month	**Croatia**	€1,830/month
Austria	€4,580/month	**Lithuania**	€2,300/month	**Slovakia**	€1,580/month
Germany	€4,200/month	**Cyprus**	€2,100/month	**Poland**	€1,500/month
Finland	€4,000/month	**Estonia**	€2,080/month	**Romania**	€1,450/month
Sweden	€3,750/month			**Greece**	€1,400/month
France	€3,540/month			**Hungary**	€1,400/month
				Bulgaria	€1,125/month

Figure 5. Average Monthly Salaries by Country (EURO)

Competing with taxes

EU corporate tax rates vary significantly, with Malta having the highest rate at 35%, followed by Portugal (31.5%) and Germany (29.9%). Mid-range countries include France, Spain, and Belgium, each around 25%, while Nordic and Baltic states like Sweden and Latvia have rates closer to 20%. The lowest rates are in Cyprus and Ireland at 12.5%, with Bulgaria and Hungary offering the most competitive rates at 10% and 9%, respectively. This spectrum reflects diverse fiscal policies across the bloc, catering to different economic strategies.

EU countries ranked by their corporate tax rates from the highest to the lowest for 2024:

Rank	Country	Corporate Tax Rate
1	Hungary	9.0%
2	Bulgaria	10.0%
3	Ireland	12.5%
4	Cyprus	12.5%
5	Lithuania	15.0%
6	Romania	16.0%
7	Croatia	18.0%
8	Slovenia	19.0%
9	Poland	19.0%
10	Czechia	19.0%
11	Latvia	20.0%
12	Finland	20.0%
13	Estonia	20.0%
14	Sweden	20.0%
15	Slovakia	21.0%
16	Greece	22.0%
17	Denmark	22.0%
18	Austria	23.0%
19	Italy	24.0%
20	Luxembourg	24.9%
21	Spain	25.0%
22	Belgium	25.0%
23	Netherlands	25.8%
24	France	25.8%
25	Germany	29.9%
26	Portugal	31.5%
27	Malta	35.0%

Figure 6. EU Countries by Corporate Tax levels

Source: Rothman & Roman Intelligence Unit (RRIU) analysis

EU Regulation Overview

The European Union (EU) is a global leader in setting regulatory standards, creating a legal framework that impacts industries both within its borders and globally. The General Data Protection Regulation (GDPR) has become a global benchmark for data protection and privacy, reshaping practices in technology, healthcare, finance, and beyond. Meanwhile, the European Green Deal represents a comprehensive initiative aimed at achieving climate neutrality by 2050, encompassing regulations that drive sustainability, reduce carbon emissions, and promote a circular economy.

In addition to these transformative frameworks, the EU also enforces rigorous quality assurance regulations and environment-oriented standards, such as the CE marking, REACH (Registration, Evaluation, Authorisation, and Restriction of Chemicals), and the Eco-Design Directive, which ensure products meet stringent safety, environmental, and sustainability criteria. These regulations not only protect consumers and the environment but also drive innovation and competitive advantage for compliant businesses.

Overseas investors must recognise that underestimating or neglecting regulatory compliance in the EU can pose significant risks to their operations. Non-compliance may require costly retrofits to products, additional certifications, or adjustments to operational practices, significantly affecting project timelines and return on investment. For investors, proactive engagement with regulatory requirements is not just a matter of legal necessity but a strategic imperative to ensure smooth market entry and long-term success in the highly regulated EU environment.

1. Consumer Protection Regulations

1.1 Unfair Commercial Practices Directive (UCPD)

Purpose
Protect consumers from unfair business practices and ensure a fair market environment.

Key Provisions

Misleading Practices	Aggressive Practices	Blacklisted Practices
Prohibits business-to-consumer practices containing false information or deceiving consumers, leading them to make decisions they would not have made otherwise.	Bans practices that harass, coerce, or unduly influence consumers, impairing their freedom of choice.	Lists specific practices considered unfair in all circumstances, such as falsely claiming endorsements or creating a false impression of limited availability.

Source
Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005.

1.2 General Product Safety Regulation (GPSR)

Purpose
Ensure that products placed on the EU market are safe for consumer use.

Key Provisions

General Safety Requirement	Market Surveillance	Traceability	Online Sales
Mandates that all consumer products must be safe.	Enhances monitoring to ensure products comply with safety standards.	Requires clear identification of products and their origins to facilitate effective recalls and consumer notifications.	Extends safety requirements to products sold online, ensuring they meet the same standards as those sold offline.

Source
Regulation (EU) 2023/988 of the European Parliament and of the Council of 10 May 2023.

1.3 General Data Protection Regulation (GDPR)

Purpose
Protect personal data and privacy of individuals within the EU.

Key Provisions

Scope of Application

Applies to any organisation processing personal data of individuals within the EU, regardless of the organisation's location.

- *Example*: A manufacturing company collecting employee data for payroll or customer information for orders must comply with GDPR, even if personal data processing is not central to its business operations.

Core Principles	Individual Rights	Organisational Obligations	Penalties for Non-Compliance
Personal data must be processed lawfully, fairly, and transparently, with data minimisation and storage limitation.	Grants individuals rights over their data, including access, rectification, erasure (the "right to be forgotten"), and objection to processing.	Requires implementation of appropriate technical and organisational measures to safeguard personal data and, in certain cases, the appointment of a Data Protection Officer (DPO).	Allows for fines of up to €20 million or 4% of the company's annual global turnover, whichever is higher.

Source
Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016.

2. The EU Green Deal: Key Sustainability Regulation

The European Green Deal is the EU's comprehensive strategy to achieve climate neutrality by 2050. It encompasses a wide array of legislative measures across various sectors, aiming to transform the EU into a modern, resource-efficient, and competitive economy.

2.1 Adopted Regulations and Directives

- **European Climate Law (Regulation (EU) 2021/1119):** Legally binds the EU to achieve climate neutrality by 2050 and sets an interim target of reducing net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels.
- **EU Emissions Trading System (EU ETS) Reform:** Enhances the cap-and-trade system for carbon emissions by tightening the cap on total emissions and expanding its scope to include additional sectors.
- **Renewable Energy Directive (RED II) Amendment:** Sets a binding target to increase the share of renewable energy in the EU's energy mix to at least 32% by 2030, with a proposed increase to 40% under the 'Fit for 55' package.
- **Energy Efficiency Directive Amendment:** Establishes measures to achieve a 32.5% improvement in energy efficiency by 2030, with a proposed increase to 36% under the 'Fit for 55' package.
- **Single-Use Plastics Directive (Directive (EU) 2019/904):** Bans certain single-use plastic products and introduces measures to reduce plastic waste and promote sustainable alternatives.
- **Land Use, Land Use Change, and Forestry (LULUCF) Regulation:** Sets targets for increasing carbon removals through natural sinks, aiming for 310 million tonnes of CO_2 equivalent removals by 2030.
- **Nature Restoration Law (Regulation (EU) 2024/1991):** Mandates EU Member States to restore degraded ecosystems, with specific targets set for 2030, 2040, and 2050 to enhance biodiversity and ecosystem resilience.

2.2 Ongoing Initiatives

- **Fit for 55 Package:** A comprehensive set of proposals to align EU policies with the goal of reducing net greenhouse gas emissions by at least 55% by 2030, covering sectors like energy, transport, and taxation.
- **Carbon Border Adjustment Mechanism (CBAM):** Proposes a carbon tariff on imports of certain goods from countries with less stringent climate policies to prevent carbon leakage and ensure a level playing field for EU industries.
- **Revision of the Energy Taxation Directive:** Aims to restructure energy taxation to promote clean technologies and eliminate subsidies for fossil fuels.
- **Sustainable Products Initiative:** Intends to revise existing ecodesign legislation to ensure that products placed on the EU market are more durable, reusable, repairable, and recyclable.
- **Zero Pollution Action Plan:** Aims to reduce air, water, and soil pollution to levels no longer considered harmful to health and ecosystems.
- **Farm to Fork Strategy Legislation:** Plans to make food systems more sustainable, including targets to reduce the use of chemical pesticides and fertilisers.
- **Deforestation-Free Products Regulation:** Seeks to prevent the import of products linked to deforestation, requiring companies to ensure that commodities like palm oil, soy, and beef are not associated with deforested areas.
- **Packaging and Packaging Waste Regulation (PPWR):** Proposes that all packaging in the EU market be reusable or recyclable by 2030, with specific targets for waste reduction and recycled content.

2.3 Detailed Regulations

2.3.1 Packaging and Packaging Waste Regulation (PPWR)

Objective
Ensure all packaging in the EU market is reusable or recyclable by 2030, promoting a circular economy and reducing environmental impact.

Key Provisions

Recycled Content Mandates

- Plastic packaging must contain a minimum of 30% recycled content by 2030.
- Specific targets for other materials to be defined.

Waste Reduction Targets
Achieve a 15% reduction in packaging waste per capita by 2040 compared to 2018 levels.

Recyclability Requirements
By 2030, all packaging must be recyclable in an economically viable manner.

Reuse and Refill Targets
Introduce mandatory reuse targets for specific packaging types with detailed percentages and timelines.

Sector-Specific Measures
Implement tailored requirements for sectors like food and beverage, e-commerce, and cosmetics.

Implementation Timeline
- Proposal adopted by the European Commission on 30 November 2022.
- Currently under negotiation by the European Parliament and the Council.
- Expected to come into force progressively, with milestones set for 2025 and 2030.

2.3.2 Single-Use Plastics Directive (Directive (EU) 2019/904)

Objective
Reduce the impact of certain plastic products on the environment, particularly marine litter.

Key Provisions

Market Restrictions

Market Restrictions: Ban on specific single-use plastic products where alternatives are available, including:

- Plastic cutlery and plates
- Plastic straws
- Cotton bud sticks
- Stirrers
- Balloon sticks

Consumption Reduction Targets
Significant reduction in single-use plastic food containers and beverage cups by 2026 compared to 2022 levels.

Product Design Requirements
By 2025, plastic bottles must contain at least 25% recycled plastic, increasing to 30% by 2030.

Separate Collection Targets
Collect 77% of single-use plastic bottles by 2025 and 90% by 2029.

Extended Producer Responsibility (EPR):
Producers must cover costs of waste management, clean-up, and awareness-raising measures.

Implementation Timeline
- Adopted in June 2019.
- Member States required to transpose the directive into national law by 3 July 2021.
- Specific measures have deadlines up to 2030.

2.3.3 Material-Specific Targets

Plastics

- Mandatory recycled content in plastic packaging: 30% by 2030.
- Reduction in single-use items through bans and consumption measures.

Paper and Cardboard

- Increase recycling rates to meet packaging recycling targets.
- Encourage use of recycled fibers in new materials.

Glass

- Enhance collection and recycling systems.
- Promote reuse where feasible.

Metals (Aluminium and Steel)

- Improve recycling processes.
- Set recycling targets aligned with packaging goals.

2.3.4 Sector-Specific Measures

Food and Beverage

- Promote reusable packaging systems like refillable bottles.
- Implement deposit-return schemes.

E-commerce

- Reduce excessive packaging.
- Standardise packaging sizes.

Cosmetics and Personal Care

- Eliminate unnecessary packaging components.
- Encourage sustainable materials and refillable options.

2.3.5 Product-Specific Measures

Beverage Containers

- Mandatory collection targets.
- Recycled content requirements for plastic bottles.

Food Containers

- Reduce single-use plastic containers through consumption targets.

Carrier Bags

- Implement measures to reduce lightweight plastic bags, including charges or bans.

3. Other Key Sustainability-Related Regulations

The EU has established frameworks to promote sustainable finance and enhance transparency among companies operating within its jurisdiction.

3.1 EU Taxonomy Regulation (Regulation (EU) 2020/852)

Purpose
Establish a unified classification system to identify environmentally sustainable economic activities.

Key Provisions

Environmental Objectives

Defines six objectives, including climate change mitigation and adaptation, circular economy, and biodiversity protection.

Technical Screening Criteria

Sets performance thresholds for activities to qualify as sustainable.

Do No Significant Harm (DNSH)

Ensures activities do not harm other environmental objectives.

Minimum Safeguards

Requires compliance with international human rights and labour standards.

Disclosure Requirements

Mandates financial market participants and large companies disclose alignment with the taxonomy.

Effective Dates

- Criteria for climate change objectives: Applicable since 1 January 2022.
- Criteria for other objectives: Applicable since 1 January 2023.

3.2 Sustainable Finance Disclosure Regulation (SFDR) (Regulation (EU) 2019/2088)

Purpose
Enhance transparency in the financial sector regarding sustainability risks and impacts.

Key Provisions

Entity-Level Disclosures

Financial market participants must disclose policies on integrating sustainability risks.

Product-Level Disclosures

Requires disclosures on how products consider sustainability risks and impacts on returns.

Principal Adverse Impacts (PAI)

Firms must disclose how they consider adverse impacts on sustainability factors.

Classification of Financial Products

Introduces categories based on sustainability characteristics or objectives.

Effective Dates

- Initial requirements: Applicable since 10 March 2021.
- Detailed requirements under Regulatory Technical Standards (RTS): Applicable since 1 January 2023.

3.3 Corporate Sustainability Reporting Directive (CSRD) (Directive (EU) 2022/2464)

Purpose
Expand and strengthen sustainability reporting requirements, replacing the Non-Financial Reporting Directive (NFRD).

Key Provisions

Scope Expansion	Reporting Standards	Assurance Requirement	Digitalisation
Applies to all large companies and those listed on regulated markets, except micro-enterprises.	Introduces European Sustainability Reporting Standards (ESRS).	Mandates limited assurance of reported sustainability information.	Requires digital tagging of reported information for accessibility and comparability.

Effective Dates
- For companies already subject to NFRD: Fiscal years starting on or after 1 January 2024.
- For other large companies: Fiscal years starting on or after 1 January 2025.
- For listed small and medium-sized enterprise (SMEs): Fiscal years starting on or after 1 January 2026.

3.4 Carbon Border Adjustment Mechanism (CBAM)

Purpose
Mitigate climate change and prevent carbon leakage by aligning carbon costs of imports with those borne by EU producers under the EU ETS.

Key Provisions

Scope of Goods	Embedded Emissions Calculation	CBAM Certificates	Adjustments for Carbon Pricing Abroad
Applies to imports of specific high-carbon goods like cement, iron and steel, aluminum, fertilisers, electricity, and hydrogen.	Importers must calculate greenhouse gas emissions embedded in their goods.	Importers purchase certificates corresponding to the embedded emissions.	Deductions from CBAM charges if a non-EU country imposes a carbon price on the product.

Affected Companies
Impacts EU importers and non-EU producers exporting specified goods to the EU.

Implementation Timeline
- **Transitional Phase (1 October 2023 - 31 December 2025):** Importers report embedded emissions without financial obligations.
- **Full Implementation (Starting 1 January 2026):** Importers must purchase and surrender CBAM certificates.

3.5 EU Regulation on Deforestation-Free Products (EUDR)

Objective
Prevent the import and sale within the EU of commodities associated with deforestation and forest degradation.

Scope
Applies to commodities like palm oil, cattle, soy, coffee, cocoa, timber, and rubber, and derived products like beef, furniture, and chocolate.

Key Provisions			
Due Diligence Obligations Operators and traders must ensure products are deforestation-free and comply with origin country laws.	**Geolocation Data** Companies must collect and provide geographic coordinates of production land.	**Deforestation Cut-Off Date** Only products from land not deforested after 31 December 2020, are permitted.	**Penalties** Non-compliance can result in fines up to 4% of annual EU turnover.

Implementation Timeline

- Regulation adopted on 31 May 2023, and entered into force on 29 June 2023.
- **Revised Implementation Timeline:**
  - **For Large Operators and Traders:** Compliance deadline extended by 12 months to 30 December 2025.
  - **For Micro and Small Enterprises:** Deadline extended to 30 June 2026 .
- *Note:* The EU extended the application timeline to provide additional preparation time due to challenges faced by stakeholders.

4. EU Quality Assurance Systems

4.1 Key Regulatory Frameworks

CE Marking
Signifies product compliance with all applicable EU safety, health, and environmental protection requirements. Manufacturers must conduct conformity assessments, compile technical documentation, issue an EU declaration of conformity, and affix the CE mark.

Harmonised Standards
Developed by European Standards Organisations (CEN, CENELEC, ETSI), these provide technical specifications to ensure products meet EU legislation. While voluntary, adherence offers a presumption of conformity.

REACH Regulation
Mandates that manufacturers identify and manage risks associated with chemicals they produce and market in the EU.

4.2 International Standards

The EU incorporates international standards like ISO into its regulatory framework:

ISO 9001 (Quality Management)	ISO 14001 (Environmental Management)	ISO 45001 (Occupational Health and Safety)
Criteria for quality management systems to ensure products meet customer and regulatory requirements.	Framework for effective environmental management systems to minimise impact.	Standards to reduce workplace risks and enhance safety.

While adherence is voluntary, compliance facilitates conformity with EU regulations and market access.

4.3 Product-Specific Directives

Certain products, such as machinery, electrical equipment, and vehicles, are subject to specific EU directives outlining detailed safety and environmental requirements.

4.4 Documentation and Traceability

Manufacturers must maintain technical documentation and ensure product traceability, including clear identification and labelling, to demonstrate compliance

5. Regulations for Automotive and Battery Manufacturers

The EU sets stringent sustainability, safety, and transparency requirements for automotive and battery manufacturers, distinguishing its regulations globally.

5.1 Recycling and Recovery Targets

Recycling Efficiency Targets

By **31 December 2025**

- **Nickel-Cadmium Batteries:** At least 80% recycling efficiency.
- **Lead-Acid Batteries:** At least 75%.
- **Lithium-Based Batteries:** At least 65%.
- **Other Waste Batteries:** At least 50%.

By **31 December 2030**

- **Lead-Acid Batteries:** Increase to at least 80%.
- **Lithium-Based Batteries:** Increase to at least 70%.

Material Recovery Targets

By **31 December 2027**

- **Cobalt, Copper, Lead, Nickel:** Recover at least 90% of total quantity.
- **Lithium:** Recover at least 50%.

By **31 December 2031**

- **Cobalt, Copper, Lead, Nickel:** Increase recovery to at least 95%.
- **Lithium:** Increase recovery to at least 80%.

5.2 Mandatory Recycled Content Levels

By 18 August 2031, new batteries must include

Cobalt	Lead	Lithium	Nickel
16%	85%	6%	6%

These measures ensure reliance on recycled materials, reduce environmental impact, and support the circular economy.

5.3 Documentation and Compliance

Manufacturers must maintain detailed records verifying recycled content and material recovery, ensuring transparency and adherence.

5.4 Data Sharing and Business Confidentiality

Digital Battery Passport (Effective 18 February 2027):

- Batteries must include a digital passport with detailed information on materials, recycled content, and environmental impact, accessible via a QR code.

Implications for Non-EU Manufacturers:

- Compliance necessitates disclosing supply chain and production details, raising concerns about intellectual property protection.

5.5 Some additional EU Regulations for Automotive Manufacturers

- **Whole Vehicle Type-Approval (WVTA):** A single approval suffices for sales across all EU member states, simplifying market access.
- **End-of-Life Vehicles (ELV) Directive:** Requires 85% of vehicle components to be recyclable and sets strict limits on hazardous materials.
- **Eco-Design Directive:** Products must be designed for energy efficiency and reduced environmental impact throughout their lifecycle.
- **Stricter Noise Emission Standards:** Imposes stringent noise limits on components like tires and exhaust systems.
- **General Safety Regulation (Regulation (EU) 2019/2144):** Mandates advanced safety features in all new vehicles, including intelligent speed assistance and driver drowsiness detection.
- **Cybersecurity Requirements (UNECE WP.29):** Regulations R155 (cybersecurity) and R156 (software updates) ensure security of connected vehicle systems.
- **IATF 16949 – Automotive Quality Management System:** Sector-specific extension of ISO 9001, often mandatory for suppliers working with Original equipment manufacturers (OEMs).
- **ISO 26262 – Functional Safety:** Addresses functional safety of electrical and electronic systems, essential for safety-critical components.
- **Emission Standards (Euro 6 and Beyond):** Suppliers producing emission-critical parts must comply with stringent EU emissions standards.

6. Regulations on Third-Country Investment in the EU

6.1 EU Foreign Direct Investment (FDI) Screening Regulation (Regulation (EU) 2019/452)

Purpose
Establish a framework for Member States and the European Commission to screen foreign direct investments into the Union on grounds of security or public order.

Key Provisions

Cooperation Mechanism	Screening Factors	Non-Binding Opinions	Transparency and Predictability
Allows Member States and the Commission to exchange information and raise concerns about specific investments that might affect security or public order.	Considers potential effects on critical infrastructure, critical technologies, supply of critical inputs, access to sensitive information, and the freedom and pluralism of the media.	The Commission can issue opinions on investments affecting more than one Member State or investments in projects of Union interest, but the final decision rests with the Member State.	Requires Member States to notify the Commission and other Member States of existing screening mechanisms and any changes to them.

Status
Adopted on 19 March 2019, and in force since 11 October 2020.

7. Navigating the EU Regulatory Landscape

While this overview is not exhaustive, it underscores the breadth of regulations that businesses must consider. The European Union's regulatory framework is comprehensive and complex, reflecting its dedication to high standards of safety, environmental protection, and fair competition. Despite the complexity, it is entirely possible to navigate the EU's regulatory environment. Here are some strategies to help:

- **Stay Informed Through Official Channels:**
  - **EUR-Lex Website:** the official portal providing access to EU law and legislative developments.
  - **European Commission Updates:** Follow the European Commission's news and updates for announcements on regulatory changes.
  - **Sector-Specific Agencies:** Monitor agencies relevant to your industry (e.g., the European Chemicals Agency for REACH regulations).

- **Engage with Industry Associations:**
  - **Professional Networks:** Join industry groups and associations that provide insights, training, and updates on regulatory matters.
  - **Conferences and Seminars:** Participate in events focused on EU regulations to stay ahead of upcoming changes.

- **Consult Legal and Compliance Experts:**
  - **Specialised Counsel:** Work with legal professionals experienced in EU law to interpret complex regulations.
  - **Compliance Officers:** Consider appointing or consulting with compliance officers who can help align your operations with regulatory requirements.
  - **Subscription Services:** Use services that offer alerts and summaries of regulatory changes.

8. Future Plans of the EU

The European Parliament commenced its new five-year term following the EU elections in **June 2024**. This term begins with defining the priorities and initiatives that will set the main strategic goals for the EU institutions over the next five years. These are proposed by the Commission President, Ursula von der Leyen, who is serving her second term.

While the strategic direction is still being finalised and debated by the **European Council and Parliament**, several crucial elements have already emerged as priorities.

President Ursula von der Leyen's agenda focuses on strengthening Europe's green transition, enhancing industrial competitiveness through regulatory simplification, and addressing defence and security challenges. The automotive industry continues to be a major focus, given its central role in the EU's sustainability goals and economic landscape.

Focus on the Automotive Industry

- The EU remains committed to phasing out combustion engine vehicles by 2035 but has extended the 2025 CO_2 targets to 2027 for flexibility.
- The Commission is engaging with industry stakeholders and plans to end tax breaks for fossil fuel-powered corporate cars to accelerate EV adoption.

Support for Electric Vehicle (EV) Manufacturing

- The EU has proposed an additional €1 billion to support EV battery production.
- This is part of a broader €4.6 billion package from the Innovation Fund, focusing on net-zero technologies, including renewable hydrogen and clean energy investments.

Addressing Global Competition

- Anti-subsidy investigations into Chinese electric vehicle imports to counter market distortions caused by state subsidies.
- Potential tariffs on imports to protect the European automotive sector.

2. **Clean Industrial Deal**
   - Channel investments into clean technologies and decarbonised sectors such as clean steel and green hydrogen.
   - Simplify and streamline permitting for clean energy projects and industrial facilities.

3. **Competitiveness and Market Resilience**
   - **Automotive Sector Goals:**
     - Ensure the EU remains competitive in the global automotive market by promoting fair competition and fostering innovation in EVs and related technologies.
     - Support the transition for SMEs involved in the supply chain, helping them adapt to the new market landscape.

4. **Social and Economic Fairness**
   - Addressing social challenges through initiatives such as affordable housing, which indirectly supports the green transition by promoting energy-efficient living spaces and sustainable urban planning.

SECTION 2

The Automotive Industry in the EU

Introduction 36

Automotive Geography of the European Union 38

Transitioning to Electric 39

Germany, the Key Country For Automotive Industry in the EU 40

Introduction

The European automotive industry is pivotal to the European economy, contributing:

Approximately **7% of the European Union's GDP**, combining direct and indirect activities such as manufacturing, logistics, and services.	Employment for **13.2 million people in the EU**, nearly a quarter of whom (3.1 million) are employed directly or indirectly by automotive manufacturers.	**8.1% of total EU manufacturing employment**, representing a significant share of the EU's 30 million manufacturing jobs.

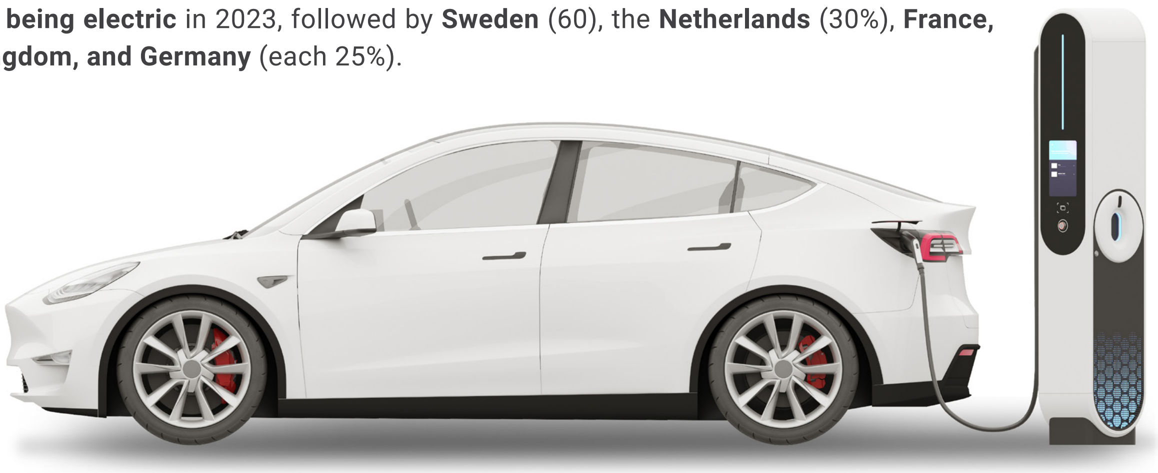
The automotive industry is the EU's largest export sector, accounting for more than **11% of total EU exports**. In 2023, the EU exported motor vehicles and automotive parts worth **€195.1 billion** to non-EU markets, resulting in a **€106.7 billion trade surplus**.

Europe accounts for **21% of global vehicle production and 30% of global automotive export value**, driven by German brands such as **Mercedes-Benz, BMW, Audi, and Porsche**, which dominate the luxury vehicle market with a **35% global market share**.

In 2022, the **Automobiles and Parts Sector** invested **€72.8 billion** in R&D, accounting for 33% of the **EU's total R&D** spending, underscoring the sector's commitment to innovation and technological advancement.

The EU is the **second-largest EV market globally**, trailing only China. Together, the EU and China account for **75% of global EV sales**, which represented more than **15% of total car sales in 2023**.

The adoption of EVs in Europe varies significantly by country. **Norway** leads globally, with **95% of new car sales being electric** in 2023, followed by **Sweden** (60), the **Netherlands** (30%), **France, the United Kingdom, and Germany** (each 25%).



Total Automotive Market in the EU, China, and the US (2023)

Region	New Passenger Car Sales (millions)	Total Vehicle Production (millions)
European Union	10.5	14.8
China	21.9	25.3
United States	14.0	7.6

Figure 7. Total Automotive Market in the EU, China and the US

EV Sales and Market Share in 2023

Region	New Passenger Car Sales (millions)	EV Sales (millions)	EV Market Share (%)
China	21.9	8.1	33.9
European Union	10.5	2.4	20.0
United States	14.0	1.4	10.0
Rest of the World	44.3	2.1	4.7
Global Total	**90.1**	**14.0**	**15.5%**

Figure 8. EV Sales and Market Share in 2023

Source: ACEA, IEA Global EV Outlook 2024

Automotive Geography of the European Union

While **France** has a solid domestic automotive industry with significant contribution to its economy, with strong national brands, like **Renault, Peugeot, and Citroën** (part of Stellantis), the **German automotive sector** has an overall dominance in the European Union, where German manufacturers account for nearly **60% of the EU's total vehicle production**, with **7.1 million vehicles out of the EU's total of 12.1 million annually**.

German dominance is even bigger in value-based comparison, as its market share in Europe is close to **70% of the total value**.

Germany is home to **Volkswagen, BMW, Mercedes-Benz, Audi, and Porsche**, which collectively lead the EU's automotive landscape. Of the **7.1 million vehicles** produced by German manufacturers in the EU, **3.4 million are made in Germany**, while the remaining production is highly concentrated in two key regions:

The V4 Central and Eastern European States

- **Poland, Czechia, Slovakia, and Hungary produce 3.45 million vehicles annually**, or 28,5 % of total EU production.
- While Slovakia (the world's biggest car producer per capita) and Czechia lead in vehicle assembly, Hungary stands out for its world-leading Audi **engine production (1.6 million annually)** and its newly emerging role as a European **battery powerhouse**, dominating the continent's EV battery plant investments.

Spain

- A major automotive hub for German and French brands, with approximately **2.2 million vehicles annually,** largely benefiting German production networks.

Transitioning to Electric

As detailed in the **EU Regulation section,** the next EU 5-year term (2024–2029) is expected to prioritise the green transition, with a significant emphasis on the automotive industry, which is critical for both economic growth and the decarbonisation of the continent. Key initiatives include strengthening investments in electric vehicle (EV) infrastructure, such as battery production and charging networks, alongside an additional €1 billion from EU funds to boost EV battery production. A broader €4.6 billion initiative for net-zero technologies aims to solidify the EU's leadership in clean energy and EV markets. Anti-subsidy investigations into Chinese EV imports, with potential tariff increases, will protect the industry from market distortions, while targeted support for small and medium-sized enterprises (SMEs) in the supply chain will facilitate their adaptation to the evolving market landscape.

The most debated aspect of the new EU Commission's expected agenda is the commitment to phase out combustion engine vehicles by 2035, a cornerstone of the EU's climate goals. This ambitious target has sparked concerns from member states such as Italy, Poland, and the Czechia, which have expressed reservations about the rapid pace of the transition and its potential impact on their automotive industries. These challenges are likely to dominate discussions in the forthcoming **"strategic dialogue on the future of Europe's car industry,"** which the EU's top leadership is expected to initiate. This dialogue will aim to unite stakeholders and member states around a shared vision and timeline for the industry's sustainable transformation.

Germany, the Key Country for Automotive Industry in the EU

The German automotive industry by brands

Volkswagen Group employs a total of 683,000, almost all in Europe, as the European workforce of the company counts to over 680,000, from whom 299,000 are in Germany.

VW production centres in Europe:

Germany

- Wolfsburg: The largest automotive plant in the world.
- Emden: Known for its premium models like the Passat and Arteon.
- Hannover: Primarily produces commercial vehicles.
- Dresden: Produces luxury vehicles like the Phaeton and Bentley Continental GT.
- Zwickau: A major hub for electric vehicle production.

Spain

- Pamplona: Produces various models for SEAT and Volkswagen.
- Martorell: Another major SEAT production site.

Portugal

- Palmela: Produces various Volkswagen Group models.

Czechia

- Mladá Boleslav: A historical hub for Škoda Auto.
- Kvasiny: Produces larger Škoda models.

Slovakia

- Bratislava: A significant production site for Volkswagen Group models.

Poland

- Poznań: Produces Volkswagen commercial vehicles.

Hungary

- Győr: A major production site for Audi, produces 1.7 million engines a year.

Figure 9. VW Production Centres in Europe

Mercedes-Benz Group AG – 166,000 employees, mainly in Germany

Germany

- Sindelfingen: The flagship plant, producing luxury S-Class and E-Class models.
- Stuttgart-Untertürkheim: A historical site, producing engines and components.
- Bremen: Produces various passenger car models.

Hungary

- Kecskemét: Produces various Mercedes-Benz models.

Poland

- Jawor: Produces engines and transmissions.

Figure 10. Mercedes-Benz Group AG Production Centres in Europe

As of 31 December 2023, the BMW Group employed approximately 154,950 individuals worldwide.

Employee Distribution:

Germany
Approximately
90,000 employees

Europe (excluding Germany):
Approximately
40,000 employees

Outside Europe
Approximately
25,000 employees

BMW Group Production Facilities:

Germany

- Munich: Headquarters and production site for various BMW models.
- Dingolfing: BMW's largest European production site, manufacturing luxury sedans, SUVs, and electric vehicles like the BMW iX.
- Regensburg: Produces a range of BMW models, including the BMW X1 and X2.
- Leipzig: Focuses on producing BMW models, including electric vehicles such as the BMW i3 and i8.

United Kingdom

- Oxford: Manufactures MINI models.
- Swindon: Historically produced body panels and sub-assemblies for MINI; future production plans include electric vehicle components.
- Hams Hall: Produces engines for BMW and MINI vehicles.

Austria

- Graz: Operated by Magna Steyr under contract, producing models like the BMW 5 Series and Z4.

Hungary

- Debrecen: A new plant under construction, expected to start production in 2025, focusing on electric vehicles.

Figure 11. BMW Group Production Centres in Europe

(Smaller, Ford, Opel)

Tesla Gigafactory Berlin-Brandenburg

Germany

- **Employees in Germany:** Expected to employ around 12,000 workers at full capacity.
- **Swource:** “Tesla’s Gigafactory in Grünheide,” Der Spiegel

In Germany, the **automotive industry** is the single largest industrial sector in terms of both GDP contribution and exports. However, several other industrial sectors, such as **machinery, chemical and electrical industry**, also play substantial roles. While none surpass the automotive industry’s total share (direct and indirect), they are significant players within the **30% industry share of GDP**. The industry is vertically integrated, from R&D and component manufacturing to vehicle assembly.

Major Industrial Sectors in Germany:

Automotive Industry

- **GDP Contribution:** ~5% (direct), up to 10–15% (direct + indirect).
- **Exports:** ~15.5% of total exports (largest contributor).

Machinery and Equipment (Mechanical Engineering)

- **GDP Contribution:** ~3–4%.
- **Exports:** Germany is the **world’s largest exporter** of machinery, accounting for ~15% of global machinery trade.
- **Key Areas:** Industrial machines, robotics, precision tools.
- **Employs: Over 1 million people.**

Chemical and Pharmaceutical Industry

- **GDP Contribution:** ~3%.
- **Exports:** Chemical and pharmaceutical products make up ~10% of Germany’s total exports.
- **Key Areas:** Basic chemicals, specialty chemicals, and life sciences (pharmaceuticals and biotech).
- **Employs:** Around **450,000 people** directly, with significant indirect jobs.

Electrical and Electronics Industry

- **GDP Contribution:** ~2.5–3%.
- **Exports:** A significant contributor to German exports, particularly in areas like automation and renewable energy.
- **Key Areas:** Consumer electronics, industrial electronics, and renewable energy systems.
- **Employs: Over 850,000 people.**

Metallurgy and Metal Processing

- **GDP Contribution:** ~2%.
- **Key Areas:** Steel, aluminum, and other metals for automotive, construction, and machinery sectors.
- **Employs:** Approximately **450,000 people.**

Aerospace Industry

- **GDP Contribution:** ~0.7–1%.
- **Key Areas:** Civil and defense aviation, space exploration technologies.
- **Exports:** Significant export market but far smaller than automotive or machinery.
- **Employs:** ~110,000 people directly.

Construction and Building Materials:

- **GDP Contribution:** ~6% (including residential and infrastructure projects).
- **Key Areas:** Cement, glass, and construction equipment.
- **Employs: Over 2 million people** in construction and related materials sectors.

Sources: German Association of the Automotive Industry (VDA), Federal Statistical Office of Germany (Destatis), German Mechanical Engineering Industry Association (VDMA), International Trade Centre (ITC), German Chemical Industry Association (VCI), German Electrical and Electronic Manufacturers' Association (ZVEI), German Steel Federation (WV Stahl), German Aerospace Industries Association (BDLI), Federal Ministry for Economic Affairs and Climate Action (BMWK)

SECTION 3

Innovation and Startup Ecosystem in Europe

Global Fintech Ecosystem: Key Rankings	47
European Fintech Landscape	48
Major Media Outlets, Main Information/Communication Source For Startups, VC-s	49
Key Networking Events	50
Professional Organisations	52
European Startup Incubator Programmes	53
The Digital and Fintech Regulations	53

The European Union is a global leader in scientific publications, public R&D investment, and contributions to high-quality, impactful research. In the World Intellectual Property Organisation's (WIPO) **2024 Global Innovation Index**—which ranks 130 economies based on factors such as education systems, technology infrastructure, and knowledge creation (e.g., patents filed or mobile apps created)—**seven of the top ten countries are in Europe,** and twenty of the top thirty, highlighting the continent's innovation-focused environment.

With this innovational mindset, Europe has long established itself as a fertile ground for **early-stage start-ups**—a diverse market where budding founders can find niche opportunities, benefit from rich academic and research traditions, and tap into supportive initiatives at the EU and national levels.

Countless ideas flourish here, addressing everything **from green tech and sustainability to deep tech and digital transformation. In these early phases, Europe** could be deemed a genuine **"startup paradise,"** offering the creative spark and initial support many young ventures need.

However, while Europe's ecosystems excel at nurturing new ideas and producing innovative early-stage companies, the moment these ventures **reach a certain level of maturity** and seek to become global powerhouses, **they frequently look elsewhere**—especially the United States.

The data outlined by the Draghi report, for example, shows that nearly a third of European "unicorns" (startups valued over $1 billion) founded in Europe ultimately relocated their headquarters abroad, predominantly to the US. This underscores a persistent challenge: although the continent can foster an impressive pipeline of startups, it struggles to keep them home once they approach the unicorn phase.

Compounding this scaling challenge is Europe's lag in private venture capital (VC). The positive trend is, however, that European VC and growth funds have hit record levels in recent years, and the pace of growth in VC investments outstrips much of the rest of the world. Over just a few years, the continent has not only doubled the value of its tech market but also seen a surge in the number of new funds and active investors.

According to the European Institute of Technology (EIT), Europe is the global leader in VC investments focused on sustainable development. In 2023, one-third of the €53 billion raised in VC funding was allocated to startups addressing one or more of the United Nations Sustainable Development Goals (SDGs). European VC and growth funds achieved record-breaking figures, raising €23.7 billion in 2023 and €30.8 billion in 2022.

With over 2,400 active VC firms and more than 1,000 funds launched in the past five years, the European tech market has more than doubled in value during this period, reflecting unprecedented growth. Meanwhile, UK companies raised £72 billion in total venture capital investment between 2021 and 2023, solidifying the UK's position as the third-largest VC market globally, trailing only the United States and China (British Business Bank, July 2024).

In essence, Europe is increasingly recognised as the place to discover bold, early-stage innovations—particularly appealing to global investors seeking fresh ideas and emerging opportunities. The real hurdle lies in ensuring that these promising startups can scale and become the continent's tech giants without feeling compelled to relocate overseas. As Europe's venture ecosystem continues to expand and accelerate, there's cautious optimism that the gap between early-stage promise and long-term, globally competitive success can gradually be closed.

Global Fintech Ecosystem: Key Rankings

Global Rankings by Number of Fintech Startups

1	London, UK	6	Shanghai, China
2	New York City, USA	7	Paris, France
3	San Francisco Bay Area, USA	8	Hong Kong
4	Singapore	9	Stockholm, Sweden
5	Berlin, Germany	10	Amsterdam, Netherlands

(Source: Startup Genome's Global Startup Ecosystem Report 2022)

Global Rankings by Number of Fintech Unicorns (as of October 2023)

1	San Francisco Bay Area, USA	6	Berlin, Germany
2	New York City, USA	7	Singapore
3	London, UK	8	Paris, France
4	Beijing, China	9	Stockholm, Sweden
5	Shanghai, China	10	Amsterdam, Netherlands

(Source: CB Insights' Global Unicorn Club)

Cities with the Largest Fintech Workforce

1	London, UK	6	Paris, France
2	New York City, USA	7	Hong Kong
3	San Francisco Bay Area, USA	8	Toronto, Canada
4	Singapore	9	Stockholm, Sweden
5	Berlin, Germany	10	Amsterdam, Netherlands

(Source: European Fintech Association Reports 2022)

Global Unicorn market in all sectors (Estimate from multiple sources)

United States: **~704**	China **~251**	European Union: **~123**	UK: **~56** (no longer EU)

European Fintech Landscape

The EU hosts several leading fintech hubs, with cities like Berlin, Paris, Stockholm, and Amsterdam frequently appearing in global rankings.

Berlin has rapidly emerged as one of Europe's premier startup hubs, renowned for its dynamic and inclusive environment. The city's rich cultural diversity fosters creativity and innovation, making it an attractive destination for entrepreneurs from various backgrounds. Berlin benefits from a robust infrastructure, access to a large pool of skilled professionals, and a thriving community of tech enthusiasts and investors. Additionally, Germany's strong economic foundation and supportive policies provide startups with the stability and resources needed to grow and scale effectively.

Stockholm is another powerhouse in Europe's startup landscape, particularly celebrated for its thriving fintech sector. The city's success is underpinned by a supportive regulatory environment that encourages innovation and facilitates easy access to capital. The Swedish stock market is the leading venue for initial public offerings (IPOs) in the EU.

Amsterdam also attracts a significant number of startups, as many companies and entrepreneurs have chosen the Netherlands as their base of operations since the UK left the EU.

Paris, the French capital, has emerged as an attractive option within the EU following London's departure from the common market. With a comparable population size and supportive government initiatives, such as the French Tech Visa and substantial funding programmes, Paris has strengthened its ability to attract and retain top-tier talent and ambitious startups.

While Western and Northern Europe boast some of the continent's leading startup hubs, **Central and Eastern Europe (CEE)** is a hotbed of ideas. Many successful startups incorporated in Western Europe or the US, have been funded by CEE entrepreneurs.

Some of the most successful startups with roots in CEE: Grammarly, GitLab, Revolut, People.ai, Miro, Robinhood, Datadog, Bolt, Wise, Prezi.

EU Rankings by Number of Fintech Startups

1	Berlin, Germany	6	Madrid, Spain
2	Paris, France	7	Barcelona, Spain
3	Stockholm, Sweden	8	Frankfurt, Germany
4	Amsterdam, Netherlands	9	Vienna, Austria
5	Dublin, Ireland	10	Warsaw, Poland

Source: EU Startup Monitor Reports

EU Rankings by Total Fintech Investment (Venture Capital)

1	Berlin, Germany
2	Paris, France
3	Stockholm, Sweden
4	Amsterdam, Netherlands
5	Dublin, Ireland

Source: Pulse of Fintech Reports

EU Rankings by Number of Fintech Unicorns

1	Stockholm, Sweden
2	Berlin, Germany
3	Paris, France
4	Amsterdam, Netherlands
5	Dublin, Ireland

Source: CB Insights' Global Unicorn Club

Sources and References

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- **European Fintech Association:** eufintechs.com
- **Startup Genome:** startupgenome.com
- **Dealroom.co:** dealroom.co
- **TechCrunch:** techcrunch.com
- **Hurun Global Unicorn Index:** hurun.net
- **World Bank Doing Business Report:** doingbusiness.org
- **EU Startups:** eu-startups.com
- **Nikkei Asia (Japan Unicorns), Enterprise Singapore (Startup SG Network), Tech Nation (UK reports), Forbes, Reuters, Company Websites**

Major Media Outlets, Main Information/Communication Source for Startups, VC-s

Sifted is the leading media brand for the European startup community, backed by the Financial Times. Sifted provides insights into emerging sectors and geographic hotspots in the startup world. Each month, their team produces more than 120 articles, ensuring a comprehensive and up-to-date flow of information.

Headquarters: London (United Kingdom), hypestat daily visitors: **29,2 k**

EU-startups is a key online publication covering European startups and entrepreneurship. It offers a blend of news, data-driven analysis, and interviews, focusing on internet and tech startups in Europe. The platform reaches over 300,000 tech-savvy and startup-interested individuals monthly, with a significant following on social media and over 67,000 newsletter subscribers. In their database you can find the most promising EU startups: https://www.eu-startups.com/directory/

Headquarters: Barcelona (Spain), hypestat daily visitors: **13,5 k**

Tech.eu is the premier online publication dedicated to the growing European technology ecosystem(s), delivering a range of editorial products with a clear focus on curated news, actionable information and educational interviews with movers and shakers from across Europe. Thech.eu organises the influential Tech.eu Summit, a hub for networking and discussion in the tech industry.

Headquarters: London (United-Kingdom), hypestat daily visitors: **11,9 k**

Silicon Canals is an English language technology news source in the Benelux region and Europe. It specialises in providing news, knowledge, and insights into the European technology and startup ecosystem. Catering to startup CEOs, investors, and innovation managers, the platform publishes a variety of content, including an informative newsletter.

Headquarters: Bussum (Netherlands), hypestat daily visitors: **8,5 k**

AIN is an online publication dedicated to the growing Central and Eastern European tech ecosystem. They cover breaking news about startups, VCs, and M&A deals in the CEE region and, primarily, in Ukraine. The English office of AIN was created by the team of the biggest Ukrainian online publication on IT business, startups, technology and entrepreneurship AIN.UA with more than two million monthly readers.

Headquarters: hypstat daily visitors: there is no data, but according to their website, ain.ua generates **75,000** unique visitors per day

The Recursive is an independent community-born online media focused on the emerging tech and startup ecosystems in Central and Eastern Europe (CEE). Originally focused on Bulgaria, The Recursive is now broadening its reach to countries like Romania, Greece, Serbia, North Macedonia, and Albania.

Headquarters: Sofia (Bulgaria), hypestat daily visitors: **1,5 k**

ArcticStartup is an independent technology news outlet that reports on digital startups and growth entrepreneurship in the Nordic and Baltic countries. They cover the startup scenes of Finland, Sweden, Norway, Denmark, Iceland, Estonia, Latvia, and Lithuania.

Headquarter: Helsinki (Finland), hypestat daily visitors: **-**

Key Networking Events

WEB Summit - Lisbon, Portugal

One of the largest tech and startup events in the world, Web Summit brings together thousands of attendees, including tech leaders, entrepreneurs, investors, and media. It covers topics such as tech, innovation, and startups, and provides plenty of networking and learning opportunities. During the year, Web Summit now hosts events around the world, including Web Summit Rio in South America, Web Summit Qatar in the Middle East, Collision and Web Summit Vancouver in North America, and RISE in Asia (from 2025 Rise will take place in Hong Kong).

Date:

November

EU-Startups Summit - Malta

EU-Startups Summit is one of Europe's largest startup events, focusing on scaling companies and fostering connections between startups, investors, and key players in the ecosystem. The summit features pitch competitions, workshops, and networking sessions.

Date:
May

Tech Crunch Disrupt - Berlin, Germany

Tech Crunch Disrupt is a major event that focuses on new and emerging startups. With over 1200 VCs in attendance along with over 3000 founders, Disrupt is the place to be for all investors to increase deal flow and uncover the latest trends. It's famous for its Startup Battlefield competition where startups can pitch to top-tier investors. The event also includes networking sessions, product demos, and discussions on the latest technology trends.

Date:
November

Slush - Helsinki, Finland

Known for its unique atmosphere, Slush is a major event for startups, with a focus on technology and innovation. It attracts thousands of startups, investors, and tech experts who gather to share ideas, pitch, and discuss the future of technology.

Date:
November

How to web - Bucharest, Romania

Eastern Europe's technology conference that brings builders and visionaries together: 3000+ attendees, 500+ startups.

Date:
October

Arctic15 - Helsinki, Finland

Gathers an international crowd of investors, startups, scaleups, corporates and influencers to Helsinki every spring, organised by the media outlet ArcticStartup. The two-day events attract international crowds aside from the Baltics and Nordic regions. ARCTIC15 is a meeting spot for startup entrepreneurs, investors, corporates and media from 60+ countries.

Date:
June

Vienna Up - Vienna, Austria

Vienna Up is a city-wide festival of entrepreneurship and innovation, created by the startup community for the world. Events are designed and hosted by 35+ programme partners, and brought together with the support of the Vienna Business Agency into a week-long festival. These are scattered around Vienna, inviting you to explore the city, get to know the Viennese startup ecosystem, and mingle with founders, investors, talents and enablers from around the world.

Date:
May

Professional Organisation

The European FinTech Association (EFA) is the first organisation representing FinTech companies of all sizes across the EU.

EFA is designed by and for Europe's FinTech community.The Association aims to serve as a resource and forum for education, information sharing and networking between companies, policymakers and the general public.

Startup Europe is an initiative of the European Commission to connect high tech startups, scaleups, investors, accelerators, corporate networks, universities and the media.

Europe Startup Nations Alliance (ESNA) is an organisation dedicated to propelling Europe to the forefront of the global startup ecosystem. ESNA is committed to transforming Europe's startup landscape by fostering a robust, interconnected, and competitive entrepreneurial environment that drives innovation and economic prosperity across the continent.

European Startup Network (ESN) is an international non-profit organisation acting as an umbrella for national startup associations from Europe. ESN was founded in 2016 and is based in Brussels, Belgium.

Allied for Startups is a worldwide network of advocacy organisations in 5 continents focused on improving the policy environment for startups. They are working together to create a consensus on policies that can positively impact startups and grow digital entrepreneurship and the digital economy at large. The organisation is not only active in Europe, but also supports startups in the EU.

The European Institute of Innovation and Technology (EIT) work has a broader impact on the technology industry, but it is also an important player for startups in Europe. Their mission is to create jobs and deliver sustainable and smart growth. They are an integral part of Horizon Europe, the EU's Framework Programme for Research and Innovation.

EIT Digital answers specific innovation needs by, for example, finding the right partners to bring technology to the market, supporting the scale-up of digital technology ventures, attracting talent and developing their digital knowledge and skills.

European Startup Incubator Programmes

Europe is home to several well-established startup incubator programmes that help early-stage startups grow by providing funding, mentorship, resources, and networking opportunities. These incubators play a critical role in nurturing startups and helping them grow by offering them the resources, expertise, and connections needed to succeed in the competitive European and global markets.

Digital and Fintech Regulations

The European Union (EU) has implemented a comprehensive regulatory framework to ensure the stability, transparency, and integrity of its financial system, significantly impacting fintech companies. These regulations cover various aspects of financial services and introduce unique requirements to foster innovation while protecting consumers. Below is an overview of key EU financial and digital regulations relevant to fintech firms and digital service providers.

Fintech Regulations in the EU

1. Payment Services Directives (PSDs)

The Payment Services Directives provide a harmonised legal framework for payment services across EU member states.

a. Payment Services Directive 2 (PSD2)

Directive:
Directive (EU) 2015/2366

Effective Date:
- Entered into force on 12 January 2016
- Transposed into national laws by 13 January 2018

Purpose:
PSD2 aimed to enhance competition and innovation in the EU payments sector by regulating payment services and promoting open banking.

Key Provisions:
- **Third-Party Access:** Banks are required to provide third-party providers (TPPs) access to customer payment accounts, enabling services like account aggregation and payment initiation, with customer consent.
- **Strong Customer Authentication (SCA):** Mandates multi-factor authentication for electronic payments to increase security.
- **Transparency and Consumer Rights:** Enhances consumer protection through improved transparency and dispute resolution mechanisms.

Relevance:
PSD2 has been instrumental in fostering innovation, enhancing security, and increasing competition in the EU payments market.

Current Status:
PSD2 is currently in effect, having repealed PSD1, with ongoing assessments to address emerging challenges in the payments landscape.

b. Proposed Payment Services Directive 3 (PSD3)

Directive:
Proposal for a new Payment Services and Electronic Money Services Directive (PSD3)

Effective Date:
- Proposal published on 28 June 2023
- Pending adoption and transposition

Purpose:
PSD3 aims to update and enhance the existing framework to address new challenges and technological advancements in the payments sector

Key Provisions:
- **Enhanced Security Measures:** Proposes stricter security requirements to combat fraud.
- **Open Banking Enhancements:** Seeks to improve the open banking framework established under PSD2.
- **Consumer Protection:** Introduces measures to further protect consumers in payment transactions.

Relevance:
PSD3 is expected to build upon the foundations of PSD2, addressing gaps and adapting to the evolving payments ecosystem.

Current Status:
As of December 2024, PSD3 is under consideration by EU legislative bodies.

These directives collectively contribute to the development of a secure, competitive, and innovative payments environment within the EU. Ongoing evaluations and updates ensure that the regulatory framework adapts to technological advancements and emerging challenges in the payments sector.

Sources
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- Start up Europe: https://digital-strategy.ec.europa.eu/en/policies/startup-europe
- Europe Startup Nations Alliance (ESNA): https://esnalliance.eu/
- European Startup Network (ESN): https://europeanstartupnetwork.eu/
- Allied for Startups: https://alliedforstartups.org/
- The European Institute of Innovation and Technology (EIT): https://eit.europa.eu/

2. Digital Operational Resilience Act (DORA)

The Digital Operational Resilience Act (DORA) is a pivotal EU regulation designed to bolster the financial sector's resilience against information and communication technology (ICT) disruptions and cyber threats.

Regulation:	Effective Date:	Purpose:
Regulation (EU) 2022/2554	- Entry into Force: 16 January 2023 - Application Date: 17 January 2025	DORA aims to ensure that all financial entities within the EU can withstand, respond to, and recover from ICT-related incidents. It establishes a comprehensive framework for digital operational resilience, harmonising requirements across member states to mitigate cyber threats and operational disruptions.

Key Provisions:
- **ICT Risk Management:** Financial entities must implement robust ICT risk management frameworks, encompassing identification, protection, detection, response, and recovery measures.
- **Incident Reporting:** Mandates the classification and reporting of major ICT-related incidents to competent authorities, ensuring timely and coordinated responses.
- **Digital Operational Resilience Testing:** Requires regular testing of ICT systems, including advanced threat-led penetration testing for significant institutions.
- **Management of ICT Third-Party Risk:** Sets standards for monitoring risks associated with third-party ICT service providers, including contractual requirements and oversight.
- **Information Sharing:** Encourages the exchange of cyber threat information among financial entities to enhance collective resilience.

Relevance:	Current Status:
DORA is crucial for maintaining the stability and integrity of the EU's financial system, especially given the sector's increasing reliance on digital technologies. By standardising digital resilience requirements, it ensures a consistent level of protection across all member states, thereby safeguarding against systemic risks arising from ICT vulnerabilities.	As of 1 December 2024, financial entities are preparing for DORA's application starting 17 January 2025. The European Supervisory Authorities (ESAs) are developing regulatory technical standards to facilitate implementation. Entities are advised to align their ICT risk management practices with DORA's requirements to ensure compliance by the effective date.

Source: Regulation (EU) 2022/2554 - EUR-Lex

3. Other Fintech Regulations

a. Payment Services Directive 2 (PSD2)

Directive: Directive 2014/65/EU	**Effective Date:** Applied from 3 January 2018

Key Provisions:
- **Market Structure:** Introduces the Organised Trading Facility (OTF) to capture trading in non-equity instruments previously outside Markets in Financial Instruments Directive (miFID) scope.
- **Transparency:** Enhances pre- and post-trade transparency requirements for various financial instruments.
- **Investor Protection:** Strengthens conduct requirements, including product governance and suitability assessments.
- **Transaction Reporting:** Expands the scope of reportable transactions to improve market oversight.

b. Anti-Money Laundering Directives (AMLD)

Directive:
- **Fourth Anti-Money Laundering Directive (AMLD4):** Directive (EU) 2015/849
- **Fifth Anti-Money Laundering Directive (AMLD5):** Directive (EU) 2018/843

Key Provisions:
- **Customer Due Diligence (CDD):** Mandates thorough verification of customer identities and monitoring of transactions.
- **Beneficial Ownership Transparency:** Requires disclosure of beneficial ownership information to prevent anonymity in financial transactions.
- **Reporting Obligations:** Obligates entities to report suspicious activities to relevant authorities.
- **Risk Assessment:** Institutes a risk-based approach to identify and mitigate money laundering and terrorist financing risks.

c. Electronic Money Directive (EMD2)

Directive:
Directive 2009/110/EC

Key Provisions:
- **Authorisation Requirements:** Entities issuing electronic money must obtain authorisation and meet initial capital requirements.
- **Safeguarding of Funds:** Obligates institutions to protect users’ funds through segregation or insurance.
- **Redeemability:** Ensures that electronic money holders can redeem funds at par value upon request.
- **Prudential Supervision:** Establishes supervisory frameworks to monitor electronic money institutions.

d. Markets in Crypto-Assets Regulation (MiCA)

Regulation:	Effective Date:
Regulation (EU) 2023/1114	- **Entered into Force:** 29 June 2023 - **Applicable From:** 29 December 2024

Key Provisions:
- **Authorisation Requirements:** Crypto-asset service providers (CASPs) must be authorised by national authorities.
- **Stablecoin Regulation:** Imposes strict requirements on issuers of asset-referenced tokens (stablecoins), including capital, governance, and disclosure obligations.
- **Transparency: S**ets rules for whitepapers and disclosure for crypto-assets offered to the public.
- **Consumer Protection:** Establishes measures to safeguard consumers, including rights to complaint and redress.

e. European Crowdfunding Service Providers Regulation (ECSPR)

Regulation:	Effective Date:
Regulation (EU) 2020/1503	- **Entered into Force:** 10 November 2021 - **Transitional Period Extended To:** 10 November 2023

Key Provisions:
- **Authorisation Requirements:** Crowdfunding service providers must obtain authorisation from national authorities.
- **Investor Protection:** Mandates clear information disclosure and appropriateness assessments for non-sophisticated investors.
- **Transparency:** Requires reporting and compliance with fair marketing standards.
- **Operational Requirements:** Sets standards for governance, risk management, and complaint handling.

These regulations collectively enhance the integrity, transparency, and security of the EU's financial markets, addressing both traditional financial instruments and emerging digital assets.

Digital Services Regulations

1. Digital Markets Act (DMA)

The Digital Markets Act (DMA) is a landmark regulation by the European Union aimed at ensuring fair and open digital markets.

a. Payment Services Directive 2 (PSD2)

Directive:	Effective Date:	Purpose:
Regulation (EU) 2022/1925	- **Entry into Force:** 1 November 2022 **Application Date:** 2 May 2023	The DMA seeks to promote fair competition and prevent the abuse of market power by large digital platforms, referred to as "gatekeepers." By establishing clear obligations and prohibitions, the DMA aims to create a more contestable and equitable digital market landscape.

Key Provisions:

- **Gatekeeper Designation:** Identifies large digital platforms as gatekeepers based on criteria such as size, user base, and control over core platform services.
- **Obligations for Gatekeepers:** Mandates practices like ensuring interoperability, providing access to data, and allowing users to uninstall pre-installed applications.
- **Prohibited Practices:** Forbids unfair practices such as self-preferencing, restricting user access to services, and preventing business users from offering products under different conditions on other platforms.
- **Enforcement and Penalties:** Empowers the European Commission to conduct market investigations and impose fines of up to 10% of a company's total worldwide annual turnover for non-compliance.

Relevance:	Current Status:
The DMA is crucial for maintaining a level playing field in the EU's digital sector, ensuring that gatekeepers do not stifle innovation or limit consumer choice. It fosters a more dynamic and competitive digital economy by holding dominant platforms accountable.	As of **1 December 2024,** the DMA is fully in effect. The European Commission has designated several major tech companies as gatekeepers and is actively monitoring compliance. Ongoing assessments and potential investigations are part of the enforcement strategy to uphold the DMA's objectives.

Source: Regulation (EU) 2022/1925 - EUR-Lex

2. Digital Services Act (DSA)

Directive:	Effective Date:	Purpose:
Regulation (EU) 2022/2065	- **Entered into Force:** 16 November 2022 - **Provisions Applicable From:** 17 February 2024	The DSA aims to create a safer and more accountable online environment by updating the legal framework for digital services.

Key Provisions:
- **Liability Exemptions:** Clarifies the responsibilities and liabilities of intermediary service providers concerning third-party content.
- **Due Diligence Obligations:** Imposes obligations on platforms to address illegal content, ensure transparency in advertising, and protect minors online.
- **Transparency Reporting:** Requires platforms to report on content moderation activities and algorithmic decision-making processes.
- **Crisis Response Mechanism:** Introduces measures to address crises impacting public security or health, ensuring coordinated responses across the EU.

Source: Digital Services Act - Eur-Lex

3. Digital Content Directive (DCD)

Directive:	Effective Date:	Purpose:
Directive (EU) 2019/770	- Member States were required to transpose its provisions into national law by 1 July 2021 - Application from 1 January 2022	Harmonise rules for the supply of digital content and digital services to ensure high levels of consumer protection.

Key Provisions:
- **Conformity Requirements:** Establishes criteria for the conformity of digital content and services with contractual agreements, ensuring they meet agreed-upon quality and functionality standards.
- **Remedies for Non-Conformity:** Provides consumers with rights to remedies, such as repair, replacement, or price reduction, if digital content or services fail to conform to the contract.
- **Liability Period:** Sets a minimum legal guarantee period of two years from the time of supply for a single act of supply and throughout the duration of continuous supply contracts.
- **Updates and Modifications:** Requires suppliers to inform consumers about updates necessary to maintain conformity and outlines conditions under which modifications to digital content or services can be made.

SECTION 4

Europe's Research and Development Landscape

Leading Universities and Innovation 62

Comparative Global Performance 63

R&D sources 63

1. Public R&D Funding in the EU 64
2. EU Funding Programmes 65
3. Application Process and Requirements 68
4. Tax Incentives 69
5. Additional Funding Sources 70
6. Opportunities for Asian Investors and Researchers 71

The European Union (EU) stands as a formidable force in global research and development (R&D), largely due to its substantial **public investment**, which is comparable to that of the United States. While the EU lags behind the US primarily in **private R&D spending**—with Europe's private investment being more concentrated in specific industries like the **automotive sector**, the largest contributor—the EU's significant public spending has been highly successful. This strong public investment has fostered a robust research ecosystem that yields high-quality scientific output, contributing to Europe's prominent position in global research excellence.

Despite comprising only **7% of the world's population**, the European Union (EU) accounts for approximately **20% of global Research and Development (R&D) expenditure** and **21% of worldwide scientific publications**. Europe stands as a global leader in scientific output and research innovation, sharing this prominence with China. While the United States still holds its top position in the highest absolute number of highly cited scientific publications, it dropped from **41.8% in 2000 to 25.7% in 2016** in the top 10% category, indicating a narrowing gap between the US, EU, and China.

Europe holds a substantial share in high-quality research outputs, contributing **22.7%** to the world's **top 10% most-cited scientific publications**. In the **top 1%** category, the EU maintains around **20.9%**, highlighting the significant impact and recognition of European research on the global stage.

Leading Universities and Innovation

European countries outperform South Korea, Japan, and China in terms of the number of t**op 500 universities per million population**, according to the Shanghai Ranking. The high concentration of top-tier universities and research institutions provides a rich environment for talent acquisition, joint research initiatives, and academic-industry collaborations.

Europe is at the forefront of research focused on **health, environmental sustainability, and climate action**, contributing significantly to the **United Nations Sustainable Development Goals (UN SDGs)**. European researchers are leading in high-quality scientific publications that address these critical societal challenges, emphasising the region's dedication to impactful and responsible research.

Comparative Global Performance

China's share in highly cited scientific publications has grown exponentially, rising from **2.9% in 2000 to 18.9% in 2016** in the top 10% cited publications, and from **1.9% to 17.5%** in the top 1% category during the same period.

Europe's strong emphasis on research and innovation presents vast opportunities for investors seeking **collaborative ventures, technology partnerships**, and access to cutting-edge developments.

Key sectors such as **biotechnology, renewable energy, healthcare**, and **environmental technologies** are thriving in Europe, offering potential for impactful investments.

Access to Talent and Research: The region's educational excellence and robust research ecosystem provide a fertile ground for talent acquisition and joint initiatives.

Research & Development (R&D) Sources

In advanced economies, research and development (R&D) is typically financed through a combination of government, industry, and other sources, such as non-profit organisations. The distribution of R&D funding, however, varies significantly between regions. Historically, the United States has relied more heavily on private-sector investment, with businesses contributing over 65-70% of total R&D expenditures. In contrast, the European Union has a lower private sector share, with business funding accounting for around 55-65% of R&D investment.

One of the reasons is Europe's industrial landscape, which is characterised by strengths in high-value manufacturing sectors such as automotive, aerospace, and precision engineering. While these industries invest substantially in R&D, they have historically been less dominant in high-R&D-intensity fields like information and communication technology (ICT), biotechnology, and software, which are more prominent in the U.S.

On the other hand, many EU Member States have a strong tradition of investing in fundamental research through public institutions such as universities and research centres. This has resulted in a higher reliance on public R&D funding.

1. Public R&D Funding in the EU

Public-sector research funding in the EU predominantly comes from the national budgets of individual Member States, allowing each country to set its own priorities and address country-specific challenges. This approach ensures that national budgets focus on strengthening local research institutions, fostering innovation tailored to domestic needs, and supporting industries critical to each country's economy.

Countries like Germany, France, and the Nordic states allocate significant resources to science and technology through their national budgets, often far exceeding contributions from EU-level programmes. These investments are crucial for developing local expertise and addressing unique national priorities, such as advancing key industries like automotive, manufacturing, or clean energy.

EU funding, through programmes like Horizon Europe, complements this national investment by focusing on projects that require cross-border collaboration and tackle challenges that affect all Member States. Horizon Europe, with a budget of €95.5 billion for 2021–2027, is one of the world's largest R&D funding initiatives. Despite its scale, it typically accounts for only 5-10% of total public R&D funding in the EU. Its primary goal is to foster cooperation across borders, promote excellence, and enable large-scale innovation initiatives that no single country could achieve alone.

The EU also encourages alignment between national and European goals through co-funding mechanisms, where it provides matching contributions to initiatives prioritised by Member States. This approach maximises resources and ensures that national and EU-level objectives are closely integrated.

In essence, national funding is focused on addressing local needs and strengthening domestic research capabilities, while EU funding drives collective efforts to solve EU-wide challenges such as climate change, health crises, and digital transformation. Together, these funding streams create a balanced and efficient ecosystem that supports both individual countries and the broader European innovation landscape.

2. EU Funding Programmes

2.1. Horizon Europe

Horizon Europe is the EU's flagship funding programme for research and innovation, running from **2021 to 2027** with a total budget of **€95.5 billion**. It aims to support a green, healthy, digital, and inclusive Europe by addressing climate change, enhancing competitiveness, and promoting growth.

Structure	
PILLAR I **Excellent Science**	• *European Research Council (ERC)*: Supports frontier research conducted by individual teams. • *Marie Skłodowska-Curie Actions (MSCA)*: Provides grants for researchers at all stages of their careers, encouraging transnational, intersectoral, and interdisciplinary mobility.
PILLAR II **Global Challenges and European Industrial Competitiveness**	• Funds collaborative projects addressing societal challenges and enhancing industrial competitiveness across clusters such as health, culture, civil security, digital, climate, energy, mobility, and food.
PILLAR III **Innovative Europe**	• *European Innovation Council (EIC)*: Supports high-risk, high-impact innovations with the potential to create new markets. • *European Institute of Innovation and Technology (EIT)*: Strengthens Europe's innovation capacity through Knowledge and Innovation Communities.

Eligibility
- Open to entities worldwide, including companies, organisations, and non-governmental entities.
- Funding is primarily available to entities established in EU Member States or associated countries.
- Entities from non-associated third countries (e.g., many Asian countries) can participate but may need to cover their own costs unless specific conditions are met.

2.2. European Regional Development Fund (ERDF)

The **European Regional Development Fund (ERDF)** aims to strengthen economic and social cohesion across the EU by correcting regional imbalances. It supports projects that stimulate economic growth and promote equitable development across regions.

Focus Areas	
Innovation and Research	Advancing technological development and innovation.
Digital Agenda	Enhancing digital connectivity and literacy.
Support for SMEs	Boosting the competitiveness of small and medium-sized enterprises.
Low-Carbon Economy	Promoting renewable energy and energy efficiency.

Application

- Managed at the national or regional level.
- Interested parties should consult their respective managing authorities for specific requirements and application procedures.

2.3. European Innovation Council (EIC)

As part of Horizon Europe, the **European Innovation Council (EIC)** supports innovators, entrepreneurs, small companies, and scientists with bright ideas and the ambition to scale up internationally.

Key Programme

1. **EIC Accelerator**
Provides blended finance (grants and equity investments) for startups and SMEs to develop and scale up innovations with high risk and high impact.

2. **EIC Pathfinder**
Supports early-stage development of future and emerging breakthrough technologies.

Application Process

- Multi-stage evaluation process.
- Applications are submitted via the *EIC official website*.

2.4. Digital Europe Programme

With a budget of **€7.5 billion**, the **Digital Europe Programme** aims to accelerate the digital transformation of Europe's economy, industry, and society.

Opportunities

1. Funding for projects in artificial intelligence (AI), cybersecurity, high-performance computing, and digital skills development.
2. Access to Digital Innovation Hubs that provide resources, expertise, and support for digital transformation.

Application Process

- Calls for proposals are detailed on the *Digital Strategy website*.

2.5. InvestEU Programme

InvestEU brings together various EU financial instruments to support investment, innovation, and job creation in Europe.

Opportunities

1. Provides equity and debt financing for innovative startups and SMEs.
2. Supports scaling operations and infrastructure projects.

Application Process

- Funding is accessed through financial intermediaries, such as banks and investment funds, listed on the *InvestEU programme website*.

2.6. Cascade Funding (Financial Support for Third Parties - FSTP)

Cascade funding distributes grants to startups and SMEs via EU-funded projects to stimulate innovation.

Opportunities

1. **Equity-Free Funding**
   Ranging from **€50,000 to €150,000**.
2. **Additional Support Services**
   Such as mentoring, networking, and access to testing facilities.

Application Process

- Open calls are published by EU projects.
- Startups can apply directly to these calls.

3. Application Process and Requirements

Applying for EU funding requires careful planning and adherence to specific guidelines.

Identify Relevant Programmes

- Review EU funding programmes to determine the most suitable options for your R&D activities.

Prepare Proposals

- Develop detailed project proposals that align with the programmes objectives.
- Demonstrate innovation, feasibility, and potential impact.

Consult Authorities

- Engage with national or regional managing authorities for programmes like the ERDF to understand specific application procedures and eligibility criteria.

Seek Professional Advice

- For complex applications or navigating regulations, consider consulting with professionals experienced in EU funding programmes.

4. Tax Incentives

EU Member States offer various tax incentives to encourage R&D investments, which vary by country.

Types of Tax Incentives

1

R&D Tax Credits
Reduce corporate tax liability based on qualifying R&D expenditures.

2

Super Deductions
Allow companies to deduct a multiple of their R&D expenditures from taxable income.

3

Accelerated Depreciation
Permit faster depreciation of assets used in R&D, leading to earlier tax relief.

Examples

France
Offers a Research Tax Credit (Crédit d'Impôt Recherche) allowing companies to claim up to 30% of R&D expenses.

United Kingdom
Provides R&D tax relief for SMEs, allowing up to 130% deduction on qualifying R&D costs.

Application

- Incentives are applied at the national level.
- Companies should consult with tax professionals to ensure compliance and optimise benefits.

5. Additional Funding Sources

Beyond EU-level programmes, other funding opportunities are available to support research and innovation.

5.1. National Government R&D Budgets

Sources
- **National Research Agencies**: Provide funding for basic and applied research.
- **Sector-Specific Initiatives**: Support strategic industries like renewable energy, pharmaceuticals, and automotive.
- **University Grants**: Fund academic research through universities and public institutions.

Access
- Funding is accessed through national research institutions and government bodies.

5.2. Public-Private Partnerships (PPPs)

Examples
- **Joint Technology Initiatives (JTIs)**: Large-scale multinational projects driving innovation in key sectors.
- **Innovative Medicines Initiative (IMI)**: Accelerates the development of new medicines through collaboration between the public sector and the pharmaceutical industry.

Opportunities

Collaborate on large-scale projects that combine resources and expertise from both public and private sectors.

5.3. Thematic Missions and Challenges

European Green Deal Initiatives
- Investments aimed at making Europe climate-neutral by **2050**.
- Funding for projects focused on sustainability and environmental protection.

Digital Europe Programmes
- Emphasis on digital technologies to enhance Europe's competitiveness.

5.4. International Collaboration

Global Organisations

Participation in organisations like **CERN** and the **European Space Agency (ESA)** facilitates cutting-edge research and technological development.

Research Agreements

Bilateral and multilateral partnerships address global challenges through collaborative research efforts.

6. Opportunities for Asian Investors and Researchers

Europe's strong emphasis on research and innovation presents vast opportunities for Asian investors and researchers.

Access to EU Programmes	**Horizon Europe** and other EU programmes are open to international participation, offering collaboration opportunities with European partners.
Collaborative Projects	Participation in joint research initiatives allows access to world-class research infrastructure and expertise.
Benefits	Engaging with EU programmes provides market access, technological advancement, and contributes to addressing global challenges.
Strategic Sectors	Key sectors such as **biotechnology, renewable energy, healthcare**, and **environmental technologies** are thriving in Europe.

Horizon Europe is open to participants worldwide, though funding is primarily allocated to entities from EU Member States and associated countries. Any company, organisation, or non-governmental entity apply, regardless of size or location. Entities from non-associated third countries (e.g., many Asian countries) are generally expected to cover their own participation costs.

Sources and Additional Resources

- **Horizon Europe:** Horizon Europe Official Website; Funding and Tenders Portal
- **Digital Europe Programme:** Digital Strategy Portal
- **European Innovation Council:** EIC Official Website
- **InvestEU Programme:** InvestEU Official Site
- **Cascade Funding:** Information on calls through EU project websites
- **National Contact Points:** List of NCPs
- **EURAXESS Worldwide:** EURAXESS Website

SECTION 5

Emerging EU - Central Eastern Europe

The Central, Eastern and Southern European Emerging Region 74

Production Hub of the German Economy 75

Advancing but Maintaining Cost Competitiveness 78

The Euro and the Local Currencies 79

Urban Areas in the CEE Region 80

Competing with Taxes 82

Detailed Taxation Outlook of the V4 Countries 83

Infrastructure Overview 89

The Central, Eastern and Southeastern European (CESEE) Emerging Region

- Baltic States
- The V4 Alliance, CEE EU Member States
- Others CEE EU Member Countries
- Non-EU Member States

Central, Eastern and Southeastern Europe (CESEE) contains 21 emerging economies, excluding Russia; among them, 11 countries are EU member states.* Since the mid-1990s, this region has exhibited a steady increase in per capita income, marking significant progress in economic convergence with Western European nations. In 1995, the average per capita income of CESEE countries stood at about **30% of the average income of developed EU member states**. Sustained economic growth and structural reforms have propelled CESEE EU members to achieve more than **70% compared to the "West"** in per capita income (measured in purchasing power parity terms) by the 2020s.

This remarkable advancement highlights the advantage to become a part of the EU single market, as the non-EU CESEE countries lag far behind in this convergence process.

Transformation from Centrally Planned to Market Economies

The economic convergence of the region is deeply rooted in their transformation from centrally planned economies to market-based systems following the fall of "communism". Since the early 1990s, these nations have undergone significant structural and institutional changes, dismantling state-controlled mechanisms and embracing free-market principles. The transition involved comprehensive reforms in privatisation, deregulation, and establishing legal frameworks conducive to private enterprise and foreign investment.

The accession to the European Union played a pivotal role in accelerating this transformation. For the **11 CESEE countries that joined the EU**, membership provided not only access to a larger common market but also structural funds and investment aimed at boosting economic development. The EU's regulatory frameworks and standards facilitated institutional and governance reforms, further integrating these countries into the global economy.

CESEE-EU:

* CESEE-EU: Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia

Production Hub of the German Economy

The V4 countries—Poland, Hungary, the Czechia, and Slovakia—are distinguished from other Central and Eastern European countries by their formal alliance as the Visegrád Group (V4), their shared historical and cultural ties, and their coordinated efforts toward European integration. Established in 1991 in the town of Visegrád, Hungary, the Visegrád Group reflects their common commitment to:

Regional Cooperation

They collaborate closely on political, economic, and security matters to advance mutual interests within Europe.

Similar Historical Trajectories

All four transitioned from centrally planned economies to market-based systems around the same time, embracing democratic reforms after the fall of communism.

EU and North Atlantic Treaty Organisation (NATO) Integration

Hungary, Poland and Czechia joined NATO in 1999, the Eastern Enlargement of NATO with other 10 new member states took place in 2004. The majority of Eastern European countries also joined the EU in this year.

The V4 block's other distinguishing feature is its **close proximity to Germany** and its **uniquely strong integration with the German economy**, particularly in the **automotive manufacturing sector** since the 1990s. This geographical advantage has facilitated significant trade relationships and attracted substantial German investment, making these countries key players in the supply chains of major German automotive companies.

The European Union's unique features, such as the free movement of goods, services, capital, and labour, have enabled manufacturing capacities to be distributed across the EU based on key factors like labour costs, tax incentives, geographical proximity, infrastructure, and the availability of a skilled workforce. Central and Eastern Europe, particularly the V4 countries, has long offered a compelling combination of low costs, geographical closeness, long-standing cultural and economic ties, and a highly skilled workforce, helping German manufacturers remain competitive in a global market facing increasing labour cost pressures.

German automakers dominate the V4 economies so significantly that Czechia, Slovakia, and Hungary have the highest contribution of the automotive sector to their GDP. Slovakia leads the world in car production per capita.

Among the top five EU economies where the automotive sector contributes most to manufacturing jobs, four are in Central and Eastern Europe, with Germany ranking sixth. (Besides the V4 countries, **Romania also has a particularly strong position** on this list thanks to its flagship national automotive brand, **Dacia**, owned by the French **Renault Group**, the country`s top exporter.)

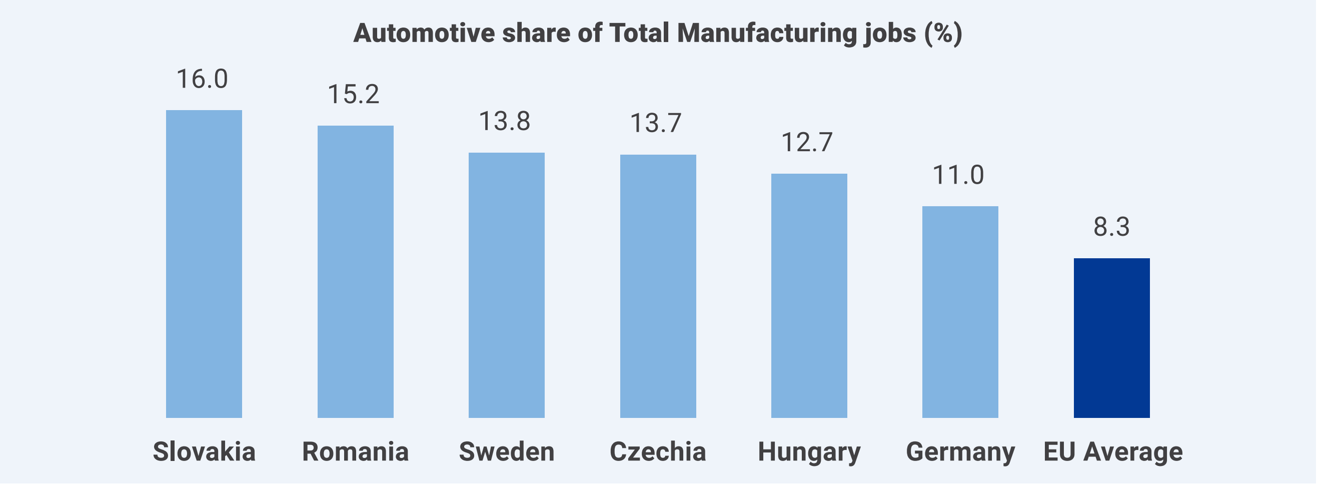


Figure 12. Automotive Share of Total Manufacturing

Historic Ties

The V4 countries have long had strong ties to the German economy throughout history. Hungary was part of the Austro-Hungarian Monarchy until the end of World War I, which tied its economy closely to German-speaking regions. After the war, Slovakia, formerly a part of the Hungarian Kingdom, separated from Hungary and became part of Czechoslovakia, reflecting enduring linguistic and cultural ties between Slovaks and Czechs. Slovakia—which became an independent state after separating from Czechoslovakia in 1993—also hosts a significant Hungarian minority, further highlighting the region's interconnected heritage.

Czechia, formerly part of the Austrian Empire and later Czechoslovakia, has deep-rooted historical and economic connections to Germany. The Czech lands were a major industrial hub of the Austro-Hungarian Empire. Poland, too, shares a long and complex history with Germany, marked by periods of cooperation and conflict. Parts of present-day Poland were under German control until the end of World War II.

The V4's role as an automotive production hub for German car companies explains the countries' **openness to international trade**, which in the V4 countries far exceeds the EU average, making these economies particularly sensitive to fluctuations in global economic conditions.

According to the World Bank, as of 2023, the export-to-GDP ratios for the V4 countries were as follows:

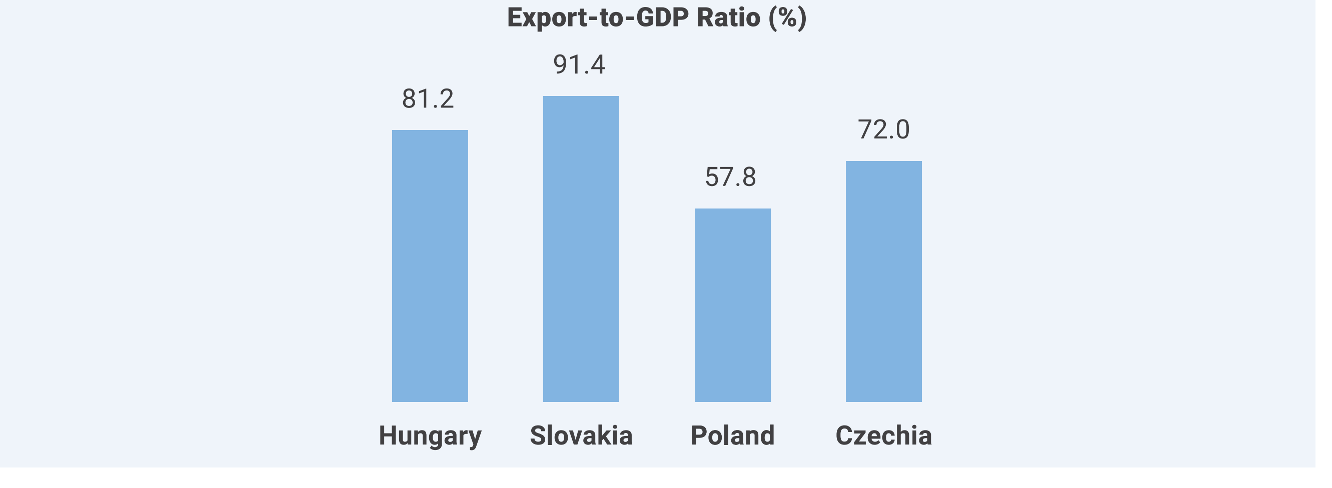


Figure 13. Export-to-GDP Ratio per Country (V4)

Overall, the V4 countries exhibit a pronounced dependence on foreign trade, with **Germany** playing a central role in their export and import activities as the **biggest trade partner for all four economies in both exports and imports**.

Hungary, for example, exports nearly **27%** of its goods to Germany and imports over **25%** from the same market. Poland exports around **28%** of its goods to Germany, with imports at comparable levels (**25%**), while Czechia's exports to Germany exceed **30%**, with imports standing at approximately **27%**. These figures reflect the significant economic interdependence between these countries and Germany.

The V4 and Germany's combined trade volume was $335.3 billion in 2021, far exceeding Germany's trade with France ($164.5 billion), as well as Germany's trade with China ($245.4 billion) or the USA ($194 billion).

Intra-V4 trade is also significant. Counted as a bloc, the V4 is among the top three trading partners for each Visegrád country. Between 2010 and 2020, trade flows among V4 nations increased by an average of 64%, highlighting the importance of regional cooperation.

Top Five Export and Import Partners of V4 Countries

Country	Top Export Partners	Top Import Partners
Hungary	1. Germany	1. Germany
	2. Italy	2. China
	3. Romania	3. Poland
	4. Slovakia	4. Austria
	5. Poland	5. Czechia
Slovakia	1. Germany	1. Germany
	2. Czechia	2. Czechia
	3. Hungary	3. China
	4. Poland	4. Poland
	5. France	5. South Korea
Poland	1. Germany	1. Germany
	2. Czechia	2. China
	3. France	3. Italy
	4. United Kingdom	4. United States
	5. Italy	5. Netherlands
Czechia	1. Germany	1. Germany
	2. Slovakia	2. China
	3. Poland	3. Poland
	4. France	4. Slovakia
	5. Austria	5. Italy

Figure 14. Top Export and Import Partners per Country

Sources:
- World Bank
- European Union Trade Statistics
- https://trendeconomy.com/

All data are accurate as of 2023 and are subject to revision.

Advancing but Maintaining Cost Competitiveness

The Gross Domestic Product (GDP) per capita, expressed in Purchasing Power Standards (PPS) and indexed to the European Union (EU) average (EU=100), for the Visegrád Group (V4) countries is among the highest in the CEESEE region:

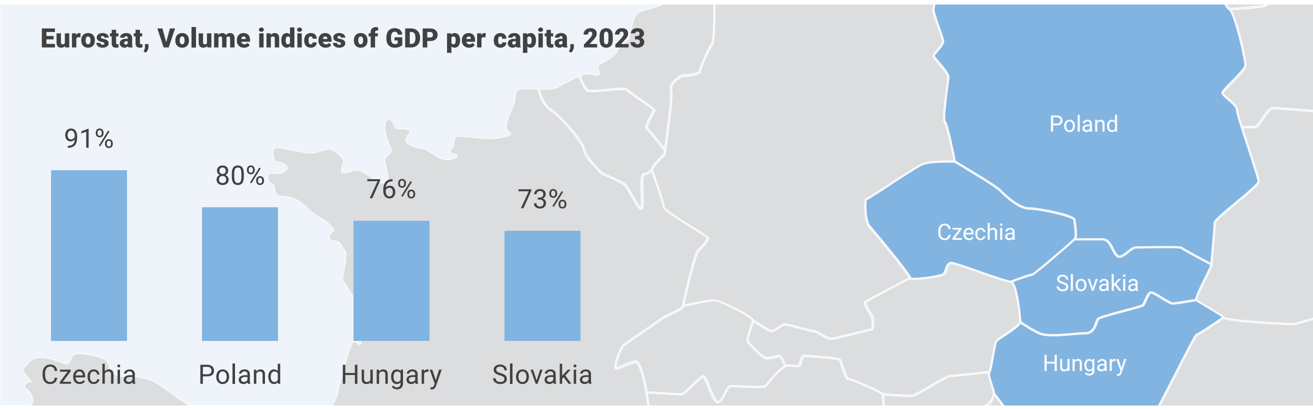


Figure 15. Volume indices of GDP per capita in V4, 2023

Despite this successful economic convergence, **labour costs in the V4 – as in the broader CEE region - remain significantly lower than in Western Europe**. Germany's average salary is over €4,200, whereas in the V4 countries, it ranges from €1,400 to €2,000. These figures represent **less than half of Germany's average salary**, underscoring the V4's competitive advantage in labour expenses.

The combination of increasing economic **prosperity**, relatively **low labour costs**, lighter labour laws compared to Germany, proximity and **easy access to the German market**, and a **skilled workforce** continues to make the V4 region an attractive destination for investment and production within Europe.

While higher-than-usual inflation has been a global phenomenon after the pandemic, it has become a significant political and economic issue in the Central and Eastern European (CEE) countries, as inflation rates exceeded 10% in 2022 and 2023 across the whole region - far from the long-term inflation trend. Looking ahead, however, **inflation** is expected to gradually return to the tolerance zone, with rates **projected to stabilise around 3%** in the coming years in all the V4 states, according to forecasts by the European Union.

Country	2024	2025	2026
Czechia	2.7	2.4	2.0
Hungary	3.8	3.6	3.2
Poland	3.8	4.7	3.0
Slovakia	3.1	5.1	3.0

Figure 16. Inflation (Expected)

Despite high inflation, households in the V4 countries save a larger portion of their disposable income than any other EU nations. In 2023, **Czechia** led the EU with the highest household savings rate, surpassing Germany. **Hungary** closely followed, securing third place in the EU savings ranking.

The Euro and the Local Currencies

While the European Union has its official currency, the euro, which is broadly accepted in business transactions and contracts across all EU member states, 7 of the 27 EU members still retain their own currencies. This choice allows these countries to maintain a flexible and efficient tool for managing their economic policies and integration, tailored to their unique economic conditions and needs.

In Central and Eastern Europe (CEE), only three—Slovenia, Slovakia and Croatia—have adopted the Euro.

The valuation of local currencies in the CEE member states significantly influences their cost dynamics. While currency depreciation is unfavourable for consumers and sellers of imported products, it can benefit employers engaged in domestic manufacturing by reducing production costs, enhancing export competitiveness and offsetting the impact of salary increases in the local currency. Some states even use the devaluation of their currency strategically as a tool to maintain their workforce's competitiveness in the international market.

Over the long term, most CEE countries have experienced a trend of currency depreciation. However, in recent years, this trend has become more mixed.

The exchange rate changes over the last 2 years among the V4 countries and Romania are as follows:

Figure 17. As of 31 December 2024, the ECB official exchange rates for 1 euro (EUR)

	Exchange Rates	Percentage changes over this 2 years period
Hungarian Forint (HUF)	411.35 HUF	- 2.5%
Czech Koruna (CZK)	25.185 CZK	- 4.2 %
Polish Zloty (PLN)	4.275 PLN	+ 9.5%
Romanian Leu (RON)	4.9473 RON	+ 0.04%

* Slovakia adopted the euro on 1 January 2009, replacing the Slovak Koruna

Urban Areas in the CEE Region

In Central and Eastern Europe (CEE), there exists a notable disparity in living standards between urban and rural areas. While national averages indicate that these countries have achieved 65% to 80% of the European Union (EU) average in terms of standard of living, this figure masks significant regional variations.

The urban areas, particularly capital cities and major metropolitan regions, have experienced an over-average economic convergence with Western Europe. Cities like Budapest, Warsaw, and Prague have become significant consumer markets with **living standards comparable to or exceeding the EU average**. For instance, Prague's GDP per capita is among the highest in the EU, reflecting its advanced economic status. Budapest - a two-hour drive from Vienna, which city has been recognised as the world's most liveable city by the Economist Intelligence Unit (EIU) in the EIU's Global Liveability Index 2024, with a score of 98.4 out of 100 - achieved a commendable score of 92.0 on the same list, as the most liveable city in the V4.

Capital metropolitan areas in Europe typically have a GDP per capita that is **on average 37% higher** than the national value. However, the V4 capitals—Bratislava (Slovakia), Warsaw (Poland), Prague (Czechia), and Budapest (Hungary)—along with Paris (France), are among the richest capital metropolitan areas relative to their overall country in the EU, with GDP per capita values that are **50% higher** than that of the broader country in which they are located.

Beyond the capital cities, several urban areas in Central and Eastern Europe (CEE) are **attracting significant investments** due to their competitive labour costs and strategic locations. For instance, Debrecen in Hungary has become a focal point for major automotive and battery manufacturing investments.

At the same time, rural regions lag behind, with living standards being significantly lower than their urban counterparts. Challenges such as limited access to quality education, healthcare, and employment opportunities contribute to this disparity. The European Parliament has noted that while regional disparities have been decreasing when considering the EU as a whole, they have been increasing within some countries, particularly in Eastern Europe.

For potential investors, this **urban-rural divide** presents both opportunities and challenges. Urban areas offer developed markets with higher consumer purchasing power and established infrastructure, making them attractive for immediate investment and offer high quality life for both expatriates and locals. However, rural regions, with their lower labour costs, can supply nearby manufacturing plants with an affordable workforce.

Understanding these regional disparities is crucial for informed investment decisions in the CEE region.

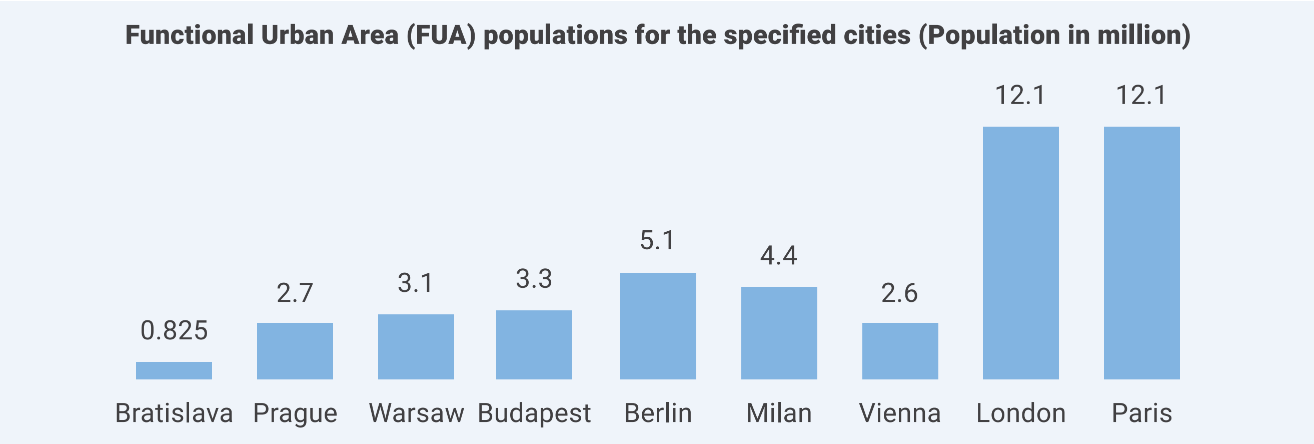


Figure 18. Functional Urban Area Populations, Capital Cities

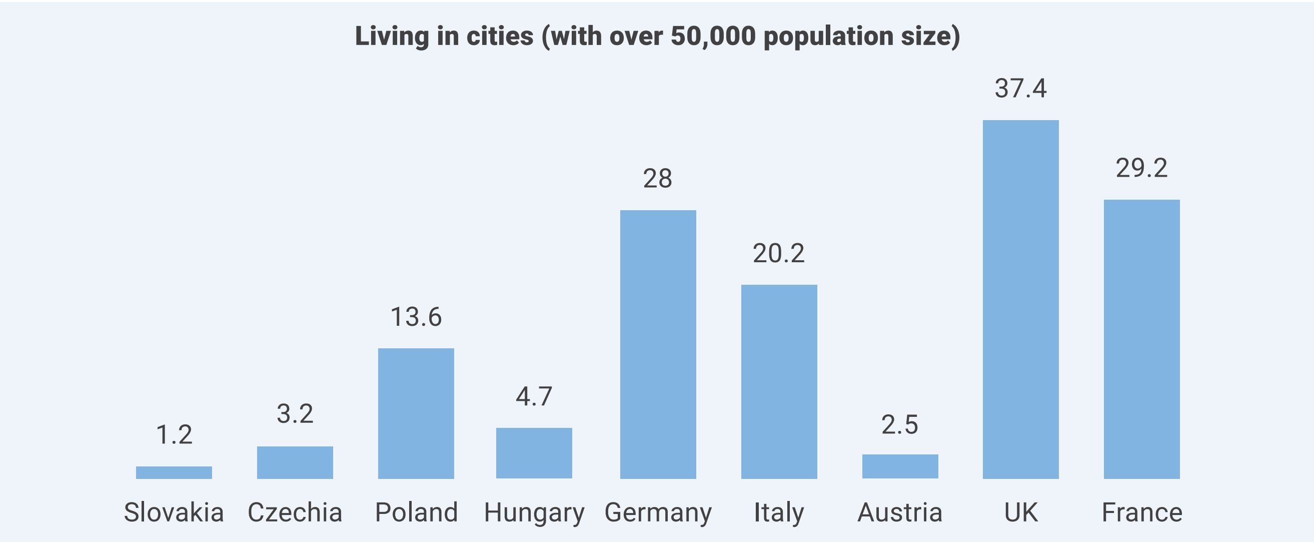


Figure 19. Number of People in million Living in Cities (with 50,000+ population)

Sources:
Eurostat, Hungarian Central Statistical Office and Netherlands Environmental Assessment Agency

Competing With Taxes

As highlighted in our former comparison of corporate tax levels across all EU member states, CEE countries have some of the lowest corporate tax rates in the EU, coupled with the significant cost advantage of lower labour costs.

Rank	Country	Corporate Tax Rate
1	Hungary	9.0%
2	Bulgaria	10.0%
3	Ireland	12.5%
3	Cyprus	12.5%
5	Lithuania	15.0%
6	Romania	16.0%
7	Croatia	18.0%
8	Slovenia	19.0%
8	Poland	19.0%
8	Czechia	19.0%
11	Latvia	20.0%
11	Finland	20.0%
11	Estonia	20.0%
14	Sweden	20.6%
15	Slovakia	21.0%
16	Greece	22.0%
16	Denmark	22.0%
18	Austria	23.0%
19	Italy	24.0%
20	Luxembourg	24.9%
21	Spain	25.0%
21	Belgium	25.0%
23	France	25.8%
23	Netherlands	25.8%
25	Germany	29.9%
26	Portugal	31.5%
27	Malta	35.0%

Sources:
RRIU collection

Figure 20. Corporate Tax Rates by Country

Detailed Taxation Outlook of the V4 Countries

Below is an overview of the most important tax features of each V4 country.

Hungary

Key Features

1. **Corporate Income Tax Rate:**
   - **Standard Rate:** 9% (since 2017).
   - Applies to resident companies, permanent establishments, and global profits for companies managed in Hungary.
2. **Withholding Tax:**
   - **Dividends:**
     - 0% for companies.
     - 15% for individuals (tax treaties may override).
   - Interest and Royalties: No withholding tax for companies; 15% for individuals.
3. **Tax Incentives:**
   - **R&D Deductions:**
     - Double and triple deductions for R&D activities.
     - New refundable R&D tax credit available from 2024.
   - **Development Tax Allowance:**
     - Up to 80% corporate tax reduction for qualifying investments.
   - **Energy Efficiency and Electricity Storage Investments:**
     - Tax allowances of up to 45% of costs.
   - **Film and Sports Tax Credits:** Deductible against corporate tax with caps.
4. **Capital Gains Tax:**
   - Exemptions for “reported shares” and intangibles held for at least one year.
   - Non-residents’ capital gains on Hungarian shares generally untaxed, except real estate holding companies (9%).
5. **Global Minimum Tax:**
   - 15% rate applied to multinational and domestic groups with revenues ≥ EUR 750 million.
   - Substance-based exclusions for tangible assets and payroll costs.
6. **Net Operating Losses (NOL):**
   - 5-year carryforward (50% utilisation limit annually).
   - Losses before 2015 carry forward indefinitely.
7. **Transfer Pricing:**
   - Documentation required for transactions exceeding HUF 100 million.
   - Rules aligned with the Organisation for Economic Cooperation and Development (OECD) guidelines.
8. **Foreign Investment:**
   - No restrictions on foreign ownership except for farmland.
   - Hungary has a robust tax treaty network covering over 80 countries.
9. **Administrative Ease:**
   - Companies can adopt International Financial Reporting Standards (IFRS).
   - Flexible tax filing and group taxation options.

Additional Advantages:

- No foreign exchange controls; the forint (HUF) is freely convertible.
- No withholding tax on interest, royalties, or service fees for companies.
- Comprehensive treaty network minimising double taxation.

Czechia

Key Features

1. **Corporate Taxation**
    - **Corporate Income Tax Rate:** 21% (reduced rates apply to pension and basic investment funds).
    - **Capital Gains Tax Rate:** Generally taxed at 21%, with exemptions for EU/EEA entities holding shares under specified conditions.
    - **Withholding Tax on Dividends:** 15% (0% for EU/EEA parent companies under certain conditions, 35% for non-treaty countries).
    - **Withholding Tax on Interest and Royalties:** 0–15%, reduced or exempt under treaties or EU directives.
2. **Incentives for Investors**
    - **Investment Incentives:**
        - Corporate tax relief for 10 years.
        - Job-creation and training grants.
        - Cash grants for strategic investments.
    - **R&D Tax Benefits:**
        - Double deduction for eligible R&D expenses.
        - Accelerated depreciation for specific assets, including emission-free vehicles.
    - **Support for Manufacturing and Technology Centres:**
        - Incentives for investment in underdeveloped regions.
        - Special conditions for high-value and high-tech projects.
3. **Other Key Tax Features**
    - **Loss Relief:** Carryforward for 5 years, with limited carryback (up to CZK30 million).
    - **Global Minimum Tax:** Implemented at 15% for groups with annual revenues exceeding EUR 750 million.
    - **Transfer Pricing:** Arm's-length principle applies; advance pricing agreements (APAs) available.
    - **Foreign Tax Credit:** Available under treaties; otherwise, foreign taxes may be deducted as expenses.
4. **Regulatory and Administrative Considerations**
    - **Tax Return Deadlines:**
        - 3 months after the tax year ends (extensions available).
    - **Currency:** Czech koruna (CZK) is the legal tender but certain foreign currencies are allowed for transactions.
    - **Anti-Avoidance Rules:** Substance-over-form principle and anti-hybrid rules in place.
5. **Withholding Tax Treaties:**
    - Extensive treaty network offering reduced rates or exemptions for dividends, interest, and royalties.

Poland

Key Features

1. **Corporate Income Tax (CIT):**
   - General rate: 19%.
   - Reduced rate: 9% for small taxpayers (revenue under EUR 2 million).
2. **Capital Gains Tax (CGT):**
   - 19%, treated as a separate income source.
3. **Withholding Tax (WHT):**
   - Dividends: 19%.
   - Interest & Royalties: 20%.
   - Services for nonresidents: 20%.
   - Rates may be reduced under tax treaties or EU directives.
4. **Preferential Tax Rates:**
   - 5% for "qualified IP income" under the Innovation Box Regime.
   - Small taxpayers qualify for a 9% rate on non-capital gains income.
5. **Minimum Tax:**
   - 10% applies to taxpayers with a low profitability ratio (below 2%) or losses, effective from 2024.
6. **VAT:**
   - Standard rate: 23%.
   - Reduced rates: 5% and 8% for specific goods/services.

Loss Utilisation
- Carryforward: Up to 5 years; 50% deduction per year (PLN 5 million or less).
- Carryback: Not allowed.

Incentives for Innovation and Investment
- R&D Deduction: Additional 200% of employment costs for R&D.
- Prototypes, robotisation, and IPOs have specific tax relief schemes.

Special Taxation Rules
1. **IP Box:**
   - Tax profits from qualified intellectual property at 5%.
2. **Polish Holding Regime (2022 Onwards):**
   - Exempts dividends and capital gains on qualified subsidiary shares under conditions.
3. **CFC (Controlled Foreign Company):**
   - Applies to Polish taxpayers holding over 50% control of low-taxed foreign entities.
4. **Anti-Abuse Rules:**
   - Tax authorities focus on the substance over form to prevent tax avoidance.

Withholding Tax Mechanism
- "Pay and Refund" system: Standard WHT rates apply unless exemptions are pre-approved by tax authorities. Applicable if payments exceed PLN 2 million annually.

Transfer Pricing
- Arm's-length compliance required for intragroup transactions.
- Detailed documentation and benchmarking needed for high-value transactions.

Other Corporate Taxes
- Tax on Retail Sales: 0.8% to 1.4%.
- Real Estate Tax: Calculated on leased property value exceeding PLN 10 million.
- Sugar Tax: Levied on sweetened beverages.

Exit Tax
- Applies to unrealised profits when assets or tax residency shift abroad.

Tax Treaties
- Poland's tax treaties reduce withholding tax rates for dividends, interest, and royalties, depending on the country and compliance with conditions like ownership thresholds.

For further specifics, such as how these rates or exemptions apply to your business or scenario, feel free to provide additional context!

Slovakia

Key Features

1. **At a Glance**
   - **Corporate Income Tax Rate:** 15% for micro-entities (taxable income ≤ €60,000) or 21% for others.
   - **Capital Gains Tax Rate:** 15% for micro-entities or 21% for others.
   - **Branch Tax Rate:** 15% or 21%.
   - **Withholding Taxes:**
     - **Dividends:** 0%, 7%, 10%, or 35% (depending on payer/recipient relationship or non-cooperative jurisdictions).
     - **Interest & Royalties:** 19% or 35%, with exceptions under double tax treaties or EU Directives.
     - **Media Income:** Variable rates with a possibility to apply income tax return rates.
2. **Corporate Taxation**
   - **Resident Companies:** Taxed on worldwide income.
   - **Nonresident Companies:** Taxed only on Slovak-source income or income attributable to a permanent establishment (PE).
   - **Permanent Establishment:** Broadly defined, including physical facilities and digital platforms if activities exceed six months.
3. **Tax Incentives**
   - **Investment Aid:**
     - Up to **50% tax reduction** for 10 years.
     - Direct incentives include **cash grants for fixed assets, job creation, and training**.
     - Focus on **manufacturing, technology centres, and shared-service centres**.
     - Requirements include minimum asset/job investments and maintaining projects for 5 years.
   - **Patent Box:** 50% income exemption for royalties and sales of R&D-derived products.
4. **Capital Gains**
   - Taxed at **15% or 21%**.
   - Exemptions apply to substantial shareholding (≥10% for ≥24 months), excluding securities dealers and companies under insolvency/liquidation.
5. **Tax Administration**
   - **Filing Deadlines:** 3 months post-tax year (extendable to 6 months with foreign income).
   - **Prepayments:** Monthly or quarterly, depending on prior year's liability.
6. **Special Provisions**
   1. **Thin-Capitalisation Rules:** Limits interest deductibility to 25% of EBITDA.
   2. **Exit Tax:** 21% on asset relocation to non-Slovak jurisdictions.
   3. **Transfer Pricing:**
      - Adjustment to market values for related-party transactions.
      - Strict documentation rules and adherence to OECD guidelines.
7. **Other Taxes**
   - **VAT:** Rates of 5%, 10%, or 20%.
   - **Social Security Contributions:**
     - Employer: 25.2%.
     - Employee: 9.4%.
   - **Health Insurance Contributions:** Employer: 11%; Employee: 4%.
8. **International Agreements**
   - The Slovak Republic abides by extensive **double taxation treaties** with beneficial withholding tax rates on dividends, interest, and royalties.
   - **Multilateral Instrument (MLI)** is implemented to prevent treaty abuse and enforce minimum tax standards.
9. **Notable Changes**
   - From **2024**, stricter **interest limitation rules** apply.
   - **Pillar Two Tax:** Ensures a minimum global tax rate of 15% for multinational groups with revenues ≥ €750 million.

Tax treaties:

Hungary

- The **tax treaty with Singapore** allows for reduced withholding tax rates:
  - **Dividends:** A rate of **5%** applies if a company owns at least **10%** of the capital of the dividend-paying company.
  - **Interest:** A **0%** rate applies to payments received by government entities or specific financial institutions.
  - **Royalties:**
    - **0%** for payments for copyrights of literary, artistic, or scientific works, including cinematographic films.
    - **10%** for other royalties such as industrial or commercial property.

Czechia

- The **tax treaty with Singapore** provides preferential rates:
  - **Dividends:** The treaty specifies a **5%** rate for company shareholders owning at least **10%** of the dividend-paying company.
  - **Interest: 0%** if the recipient is the Singapore government, a statutory body, or a financial institution controlled by the government.
  - **Royalties:**
    - **0%** for copyrights (e.g., literary or artistic works, films).
    - Other royalties follow domestic rules or treaty terms.

Slovakia

- The **tax treaty with Singapore** includes:
  - **Dividends:**
    - A **0% rate** applies if a company holds **25% or more** of the capital for at least **365 days**.
    - A **10% rate** applies in other cases.
  - **Interest:**
    - **0%** for government-related entities or loans backed by government guarantees.
  - **Royalties:**
    - **0%** for copyrights and payments for artistic or scientific works.
    - **10%** for industrial royalties.

Poland

- The **tax treaty with Singapore** specifies:
  - **Dividends:**
    - A **0% rate** applies for companies holding 10% **or more** for **24 months**.
    - **5%** in other cases.
  - **Interest:**
    - **0%** for payments to government bodies or guaranteed loans.
  - **Royalties:**
    - A **5% rate** for patents, designs, or scientific royalties.
    - A **10% rate** for commercial or industrial royalties.

Comparative table of relevant tax rules and treaty terms between **Hungary**, **Czechia**, **Slovakia**, and **Poland**:

Tax Rule	Hungary	Czechia	Slovakia	Poland
Corporate Tax Rate	9%	19%	15% (micro-entities) / 21%	19%
Capital Gains Tax Rate	Taxed as corporate income	Taxed as corporate income	Taxed as corporate income	Taxed as corporate income
Withholding Tax on Dividends	**5%** (≥10% ownership under treaty with Singapore)	**5%** (≥10% ownership under treaty with Singapore)	**0%** (≥25% ownership for 365 days under treaty with Singapore); otherwise **10%**	**0%** (≥10% ownership for 24 months); otherwise **5%**
Withholding Tax on Interest	**0%** (government entities or specific financial institutions)	**0%** (government or specified entities)	**0%** (government-related entities or loans guaranteed by governments)	**0%** (government bodies or guaranteed loans)
Withholding Tax on Royalties	**0%** for copyrights, **10%** for industrial/ commercial property	**0%** for copyrights, others follow domestic law	**0%** for copyrights; **10%** for industrial royalties	**5%** for patents/ scientific royalties; **10%** for commercial royalties
Tax Loss Carryforward	Unlimited	5 years	5 years (50% max per year)	5 years
Thin-Capitalisation Rules	Yes (30% EBITDA limit)	Yes (30% EBITDA limit)	Yes (25% EBITDA limit; interest limit for >€3M)	Yes (30% EBITDA limit)
Patent Box Incentives	50% tax exemption on income from patents	None	50% tax exemption on IP-related income	None
Investment Incentives	Available for manufacturing and technology	Available for priority regions	Available for manufacturing, tech, and shared services	Available for new investments in special zones
Transfer Pricing Rules	OECD guidelines	OECD guidelines	OECD guidelines	OECD guidelines
Exit Tax	9%	19%	21%	19%
Treaty With Singapore	Yes	Yes	Yes	Yes

Figure 21. Comparative Table of Tax Rules of V4 Countries

Key Observations:

- **Corporate Tax Rate:** Hungary has the lowest corporate tax rate (9%), while others hover around 19-21%.
- **Withholding Taxes:** All four countries offer favourable withholding tax rates on dividends, interest, and royalties under treaties with Singapore.
- **Transfer Pricing Rules:** All countries adhere to OECD guidelines, ensuring compliance with global standards.

Infrastructure Overview

According to the World Economic Forum's Competitiveness Index, the Visegrád Group (V4) countries—the Czechia, Hungary, Poland, and the Slovakia—score between 70 and 75 in infrastructure quality, compared to the Western European average of 85. This narrowing yet existing gap results from a mix of highly developed elements, such as advanced internet and communication networks and good motorway connectivity. While the electricity infrastructure in the region is stable, it still requires investments to meet the growing demand. Conversely, the railway infrastructure lags far behind.

Advancements in Digital Infrastructure

Internet Penetration Rates

The internet penetration rates in the V4 countries are competitive, with all nations nearing the Western European average. This indicates a widespread adoption of internet usage among their populations.

Country	Internet Penetration Rate (% of Population Using the Internet)
Czechia	~88%
Hungary	~86%
Slovakia	~85%
Poland	~84%

WEU AVERAGE
~90%

Figure 22. Internet Penetration Rate per Country

Fixed Broadband Subscriptions

Czechia has the highest number of fixed broadband subscriptions per 100 inhabitants among the V4 countries, showcasing its robust fixed-line internet infrastructure.

Country	Fixed Broadband Subscriptions (per 100 Inhabitants)
Czechia	~38
Hungary	~37
Slovakia	~33
Poland	~26

WEU AVERAGE
~40

Figure 23. Fixed Broadband Subscriptions

Mobile Broadband Subscriptions

Czechia leads in this category.

Country	Mobile Broadband Subscriptions (per 100 Inhabitants)
Poland	~202.7
Czechia	~105
Slovakia	~86.7
Hungary	~81.6

WEU AVERAGE
~130

Figure 24. Mobile Broadband Subscriptions

Advancements in Motorway Infrastructure

The region has made significant progress in developing its motorway networks. Today, all V4 major cities, such as Prague, Brno, Warsaw, Krakow, Budapest, Debrecen and Bratislava and industrial hubs are well connected to each other by motorways.

Road density measures the concentration of roads relative to land area, indicating accessibility and connectivity within a country, while **motorway density** highlights the extent of high-capacity roads in relation to a country's size. Hungary has the highest road and motorway density among the V4 countries.

Country	Road Density (km per 100 km² land area)
Hungary	~236 km
Poland	~140 km
Slovakia	~120 km
Czechia	~72 km

WEU AVERAGE

~180 km

Source: OECD, 2020

Country	Motorway Density (km per 1,000 km²)
Hungary	20 km
Czechia	17.5 km
Slovakia	17 km
Poland	6 km

WEU AVERAGE

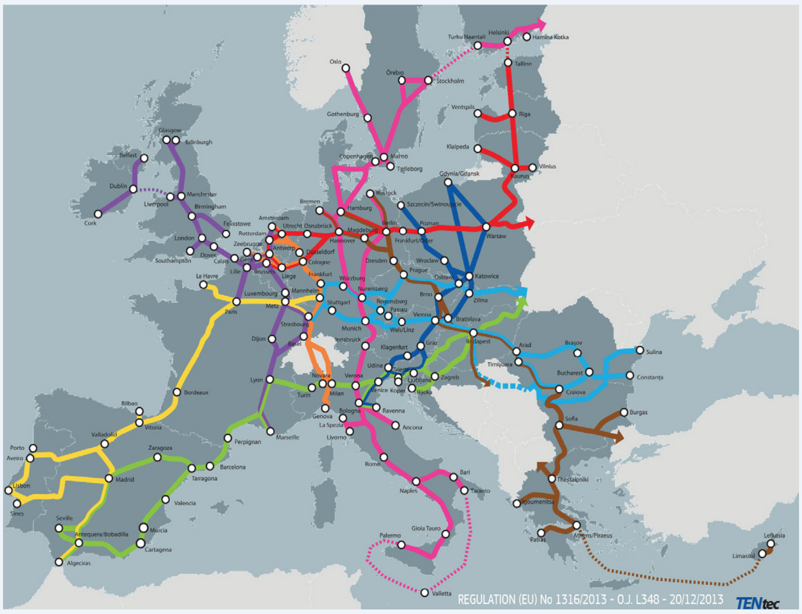
28.5 km

Source: RRIU analysis, Eurostat

Figure 25. Road and Motorway Density

Challenges in Railway Infrastructure

The V4 countries have extensive railway networks inherited from their historical development. However, despite the broad coverage, these systems are often characterised by outdated infrastructure and rolling stock, resulting in slower and less efficient services compared to Western European counterparts, where high-speed rail networks are prevalent—initiated with the French Train à Grande Vitesse (TGV) in 1981. (Countries with extensive high-speed rail networks include **France**, **Spain**, **Germany**, **Italy**, **Belgium** and the **Netherlands**.)



- Atlantic
- Baltic–Adriatic
- Mediterranean
- North Sea–Baltic
- North Sea–Mediterranean
- Orient–East Mediterranean
- Rhine–Alpine
- Rhine–Danube
- Scandinavian–Mediterranean

Source: European Commission

Railway Density

Railway density indicates how concentrated the rail network is within a country's land area. The Czechia boasts the highest railway density among the V4 countries.

Country	Railway Density (km per 1,000 km² land area)
Czechia	~123.3 km
Hungary	~86.7 km
Slovakia	~74.5 km
Poland	~63 km

WEU AVERAGE

~48.0 km

Figure 26. Railway Density

Source: Eurostat, 2022

Electrification Rate

Electrification of railways is a key indicator of modernisation, affecting speed, efficiency, and environmental impact. The V4 countries have varying electrification rates, generally below the WEU average.

Country	Electrification Rate (%)
Poland	~64.6%
Slovakia	~43.4%
Hungary	~40.5%
Czechia	~33.5%

WEU AVERAGE

Over 50%; countries like Switzerland are near 100%

Figure 27. Electrification Rate

Source: European Union Agency for Railways (ERA), Eurostat, IMF

While specific data on the average age of trains in the V4 countries is limited, Central and Eastern European countries operate much older rolling stock compared to Western Europe. A significant portion of Poland's train fleet, for example, is over 30 years old, impacting reliability and efficiency. Similar situations exist, with many trains being decades old, leading to slower services and higher maintenance costs.

Electricity Infrastructure in the V4 Countries

Energy Sources in Electricity Production

Poland, Hungary, Slovakia, and the Czechia present a varied energy landscape heavily influenced by historical reliance on specific energy sources. **Poland remains predominantly dependent on coal**, which constitutes approximately 70-75% of its electricity generation, highlighting a significant reliance on this fossil fuel. In contrast, **nuclear energy plays a substantial role in Hungary and Slovakia**, where it accounts for about 48-50% and 55-58% of their electricity generation, respectively. While renewable energy sources are gradually increasing their share in the V4 countries, the growth of green energy **still lags behind Western European nations**, where renewable adoption is more advanced.

Czechia

- **Coal:** The share of coal in electricity generation has declined due to environmental regulations and a shift towards cleaner energy. As of 2023, coal accounted for approximately **40%** of the electricity generation mix.
- **Nuclear Energy:** Nuclear power remains a significant contributor, maintaining a share of around **35%**.
- **Renewable Energy:** The contribution from renewables (including biomass, wind, and solar) has increased, accounting for about **15%** of electricity generation.
- **Natural Gas:** Natural gas accounts for roughly **5-7%**.

The Czechia has been actively working to reduce coal dependency, aiming to phase out coal by 2038 or earlier, depending on policy developments.

Poland

- **Coal:** Coal remains the predominant source but its share has been declining. As of 2020, coal (both hard coal and lignite) accounted for about **70-75%** of electricity generation.
- **Renewable Energy:** Renewables have been on the rise, especially wind power. Renewables now contribute approximately **15-18%**.
- **Natural Gas:** The share of natural gas has increased to about **7-10%**.

Poland is under EU pressure to reduce carbon emissions and has plans to decrease coal usage significantly by 2040, including investments in offshore wind and the potential introduction of nuclear power by the early 2030s.

Hungary

- **Nuclear Energy:** Nuclear power continues to dominate Hungary's electricity generation, contributing about **48-50%.**
- **Renewable Energy:** The share of renewables has been growing, particularly solar energy, which has seen significant investments. Renewables now contribute approximately **12-15%**.
- **Natural Gas:** Natural gas-fired plants contribute around **20%**.
- **Coal:** Coal's share has decreased to about **10%**.

Construction of the Paks II nuclear reactors is ongoing but faced delays. The new units are not expected to be operational before the late 2020s, so the projected increase to **70%** nuclear generation is a future expectation.

Slovakia

- **Nuclear Energy:** Nuclear power continues to be the backbone of Slovakia's electricity generation, maintaining a share of around **55-58%**.
- **Hydroelectric Power:** Hydropower contributes about **17-20%**. Other renewables (solar, biomass) have a modest share, together accounting for about an additional **5-7%**.
- **Fossil Fuels:** The remaining share comes from coal and natural gas, each contributing less than **10%**.

Slovakia has been working on completing new nuclear reactors at the Mochovce Nuclear Power Plant. Unit 3 began commercial operation in 2021, which may increase the nuclear share slightly.

Source: RRIU analysis, data between 2020-2023

Renewable Energy Share

Country	Electrification Rate (%)
Spain	~25%
Germany	~22%
Slovakia	~22%
Czechia	~19%
Hungary	~17%
Poland	~16%

WEU AVERAGE

~24.5%

Figure 28. Renewable Energy Share

Sources:
International Energy Agency (IEA), Eurostat, National Energy Authorities and Statistical Offices

Energy Network Development and Investments
While the V4 countries have extensive energy networks, they are generally stable but less developed than those in Western European states. Recognising this, substantial state investments are being directed towards modernising and expanding the energy infrastructure. Hungary is particularly focusing on enhancing the energy network to support new battery manufacturers with substantial electricity demands. This includes upgrading transmission lines and increasing capacity to ensure reliable energy supply.

EU Liberalised Energy Market and Pricing
The EU operates a liberalised energy market, enabling companies to choose their energy suppliers, making suppliers compete for their business and potentially lowering costs through competitive pricing. However, even with the liberalised market, energy prices remain a significant issue across the EU, affecting both consumers and industries.

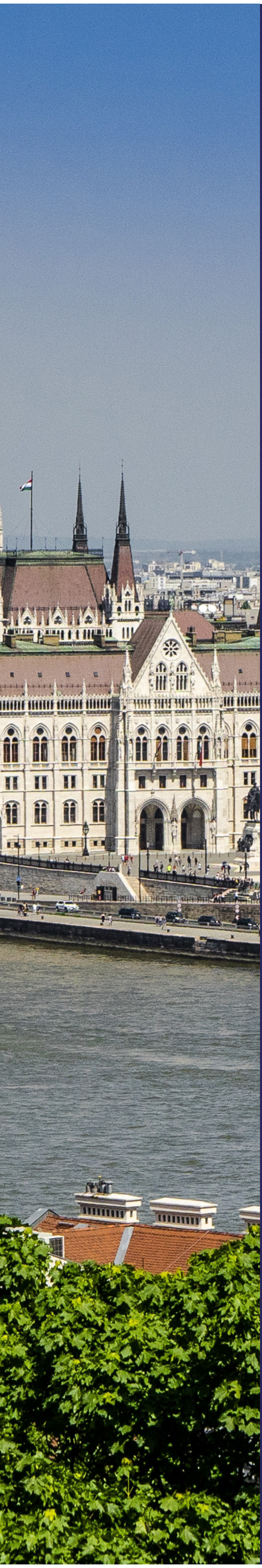
Energy in the EU costs significantly more than in other leading economies like China or the US. The EU is actively seeking solutions to reduce these costs, balancing the need for affordable energy with its commitment to environmental sustainability.

Regarding the Central and Eastern European (CEE) region, electricity costs are competitively priced.

Sources:
- International Energy Agency (IEA): Country Statistics
- Eurostat: Energy Statistics
- National Energy Authorities and Statistical Offices
- International Monetary Fund (IMF) Reports

SECTION 6

Case Study: Hungary, the Gateway to the EU for Asia



Hungary - the Gateway to Europe 96
Political Landscape – Stability Matters 97
Economic Environment 100
The Hungarian Labour Market 101
Hungary's Regions and Key Economic Activities 103
Launching a Business 111
Hungary's Trade and Investment Agreements 114
Investment Support 116
Interviews 120
Living in Hungary 126

Hungary
- the Gateway to Europe

Hungary holds a **unique position within the EU when it comes to Asian investment**. While sharing many advantages with other Central and Eastern European (CEE) states as an entry point to Europe—such as a cost-effective skilled workforce, lower taxes, and strong integration with Europe's leading economies, particularly Germany and its renowned automotive industry—Hungary has pursued a distinct approach toward Asia since 2010.

In that year, after winning the election, the Hungarian government introduced its **"Eastern Opening"** policy, a strategic shift influenced by China's growing global economic presence and the need to diversify Hungary's foreign relations and economic dependencies. The **"Eastern Opening"** strategy aimed to diversify Hungary's trade and industrial partnerships by attracting Asian investors and providing support through **favourable policies**, supportive state **organisations, tax advantages, and financial subsidies** to facilitate successful market entry into the European common market.

Hungary has maintained a strong commitment to its Asian partners even after West-China relations began to deteriorate during Donald Trump's first presidency. The Hungarian government accelerated its engagement with key **Asian economies, resulting in uniquely close political and economic ties with China. This has led Chinese and Asian companies to view Hungary as a preferred entry point—a gateway—to the European Union**.

Hungary's unique position is evident from the fact that in recent years, the country has attracted **more Chinese investments than any other EU member state**, including CATL's mega investment and BYD's first car manufacturing plant in the EU. Additionally, Budapest Airport has become a hub for Chinese airlines in the region, with **17 direct flights per week between major Chinese cities and the Hungarian capital.**

The closeness of this relationship is also demonstrated by Hungary's special status in China's international relations. In 2024, Hungary was elevated to the "**All-Weather Comprehensive Strategic Partnership**", the highest level in China's diplomatic relationship ranking. This status is shared by only five other nations, none of which are European states.

Aligned with its "Eastern Opening" strategy, Hungary remains the only EU country actively engaged in both the Belt & Road Initiative and the Central European '14+1' format. While many Central and Eastern European countries have gradually scaled back their involvement in the '14+1' summits—a platform for cooperation between China and Central and Eastern European countries—Hungarian Prime Minister Viktor Orbán has consistently participated in all nine meetings of the platform. Notably, Orbán was the only EU leader to attend the 2023 Belt & Road Forum in Beijing, reaffirming Hungary's commitment to fostering closer ties with China and advancing its role in these international initiatives. Hungary was one of only two countries Xi Jinping visited in the EU in May 2024.

Since 2010, foreign direct investment (FDI) from Asian countries in Hungary doubled from 2022 to 2023, with significant contributions not only from China but also from South Korea, Japan, and India. While these countries accounted for approximately 40% of the value of new foreign investment projects in 2020 and 2021, by 2023, their contribution had accelerated to **exceed 80% of FDI inflows**, resulting in a surge to a record high of over EUR 13 billion, with the largest share coming from 69 large projects (out of a total of 209 projects). Chinese investors were especially active, committing over EUR 7.6 billion through eight major projects, **making China responsible for 60% of all foreign investments in Hungary in 2023.**

This investment surge has reestablished China as the largest contributor of new investments to Hungary.

Hungary is positioning itself as a key logistics hub for China by leveraging strategic developments such as the Budapest-Belgrade railway and the Záhony transshipment terminal. These projects aim to strengthen connectivity between China and Europe, enhancing Hungary's role in facilitating trade flows. Furthermore, Hungary has become a significant base for Chinese technology companies, including Huawei, which operates its largest hub outside China in the country. The automotive sector, in particular, has seen a concentration of greenfield investments, reflecting a strategic emphasis on expanding manufacturing capabilities in cutting-edge sectors. This move not only integrates Chinese firms more deeply into the European market but also provides a strategic advantage for circumventing potential European tariffs on imported vehicles.

Political Landscape - Stability Matters

In the last 35 years, Hungary has been led by centre-right and centre-left-liberal coalitions alternating in governance. In a global comparison, this political landscape hasn't resulted in significant changes for foreign investors, as **both sides of the politics have been considered supportive of foreign investments and multinational companies** operating in the country. This support is understandable given **Hungary's open and internationally integrated economy, where the added value of foreign-controlled, non-financial companies peaked at over 52%** in 2014 and still exceeds 40% today.

Since 2010, this political shifting has stopped, resulting in **unparalleled political stability** even within the EU. One reason for this stability is the change in the electoral system, which is now similar to that of the United Kingdom and Singapore. Hungary employs a **First-Past-the-Post (FPTP) electoral system**, where the country is divided into numerous local constituencies, and the candidate with the most votes wins the seat, regardless of whether they achieve an absolute majority. This system generally increases the chance of a single-party majority government, thereby **enhancing political stability** and reducing the likelihood of frequent coalition changes.

As a result of the electoral system and the governing party's ability to maintain its popularity amidst a fragmented opposition, the current **government has been unchallenged since 2010**. This has led to a stable political environment and consistent economic policies focused on maintaining Hungary's competitiveness as an industrial manufacturing hub.

Political stability is a key feature that investors highlight as an advantage, leading to a steady focus on improving policies, infrastructure, and the organisational framework for industries supported by the government.

While the world is changing dramatically, political shifts in Europe and globally seem to strengthen Hungary's strategic alliances. Prime Minister leader, and Hungary developed a close friendship with China and similar relations with the incoming US administration of President Donald Trump. These political relationships enhance Hungary's international ties and can be encouraging factors for future investment decisions.

The Hungarian government advocated for long a policy of '**economic neutrality.**' This approach seeks to position Hungary as a pragmatic and flexible economic player capable of maintaining **balanced relationships with both Western and Eastern**. Together, these policies reflect the current government's commitment to broadening Hungary's global economic footprint and mitigating external risks associated with overreliance on traditional trade partners.

Hungary, a parliamentary republic, has been a **member of North Atlantic Treaty Organisation (NATO)** for 25 years, since 1999, and **of the European Union** for 20 years, since 2004. In the Hungarian political system, the government, led by a Prime Minister, holds executive power. The President, while the formal head of state, holds limited powers—similar to the role of the President in Singapore—and is elected by the parliament. This system contrasts with the presidential systems in countries like France or Romania, where directly elected Presidents hold substantial executive power.

Key government stakeholders for investors in Hungary:

Viktor Orbán (Prime Minister):

Hungary's longest-serving Prime Minister. He first held office from 1998 to 2002, becoming the youngest Prime Minister at age 35. After losing the 2002 election, he returned to office in 2010, winning with a two-thirds majority. Since then, he has been leading the country. Considered by many as a visionary politician, Orbán has long advocated that Hungary should focus on long-term political and economic trends, such as the rise of the East. He has directed Hungary to maintain balance and cooperation with its Western allies, particularly Germany, while also building strong economic alliances with China and advocating dialogue with Russia as a key energy supplier. His policies emphasise a long-term economic strategy.

Péter Szijjártó
(Minister of Foreign Affairs and Trade):

One of Europe's longest-serving foreign ministers, he has held the position since 2014 and has been a key government figure since 2010, initially as the Prime Minister's spokesperson and later as Secretary of State for Foreign Affairs and Foreign Trade. He is considered a key decision-maker regarding the government's position toward foreign investors and is central to Hungary's "Eastern Opening" strategy. He oversees the work of the Hungarian Investment Promotion Agency (HIPA).

Formerly the Prime Minister's
Chief Economic Adviser:

Previously serving as Minister of Economic Development from May 2022 to December 2023, and as the Prime Minister's Chief Economic Adviser from 2020 to April 2022, Márton Nagy is now responsible for setting Hungary's economic policy directions.

István Joó
Government Commissioner and CEO of HIPA:

István Joó is the CEO of the Hungarian Investment Promotion Agency (HIPA) and Government Commissioner for Investment Promotion and the Implementation of Large FDI Projects. Since taking office in 2022, he has played a key role in attracting foreign direct investment to Hungary. Under his leadership, HIPA has facilitated more than 150 investment projects, with a total volume exceeding €30 billion. These investments are expected to create over 50,000 new jobs. He promotes a balanced investment strategy, attracting investors from both East and West while supporting high value-added sectors like business services and R&D. His efforts continue to strengthen Hungary's position as a competitive global investment hub.

Importantly, while the Hungarian government—and especially Prime Minister Viktor Orbán—represents a political movement focused on national sovereignty, this rhetoric coexists with some of the EU's most foreign investment-friendly economic policies. At first glance, this may seem contradictory, but it is not.

Hungary is an internationally integrated open economy that the government has always focused on maintaining to remain economically competitive and politically supportive of its key foreign investors.

Therefore, the Hungarian government has effectively represented the interests of businesses even in politically sensitive areas such as new labour laws and environmental regulations. This cooperative attitude behind the scenes is highly valued by investors, as indicated in interviews conducted for this document.

Economic Environment

Hungary is one of the most **export-oriented** economies in the world, with an **export-to-GDP ratio** of 81.3% in 2023—**nearly double the global average** of 46%, and a trade surplus of €4.53 billion (2.31% of GDP).

Foreign-owned companies account for 70–80% of Hungary's export volume, a proportion comparable to that of Singapore.

Among foreign investments in the country, the **share of non-EU investors has been rising**. The proportion of revenue generated by non-EU companies out of the total revenue from all foreign-owned entities increased from **32% in 2010 to 42% by 2022**.

Industry continues to make a strong and **growing contribution to GDP**, accounting for approximately a quarter of economic output and employing 33% of the working population.

Germany remains Hungary's most important trading partner, **accounting for 27% of exports and 25% of imports**. As of 2023, approximately **2,500 German-owned companies** operated in Hungary, employing around **216,000 people**.

Despite significant Asian—particularly Chinese—investments, Germany is expected to maintain its position as **Hungary's largest industrial partner**, although China's role is rapidly expanding.

Economic challenges in Germany understandably **affect economic growth in Hungary**, leading to a slight recession in 2024. Growth remains moderate in 2025 due to difficulties in the German automotive industry and the fact that major new investments in Hungary have yet to begin full-scale operations. The positive impact of recent investments is expected to be reflected more obviously in economic data in 2026.

The European Commission forecasts that **GDP growth, after the 1.8% rate in 2025, will exceed 3% in 2026 and 4% in subsequent years.**

In early December 2024, Fitch Ratings affirmed Hungary's 'BBB' sovereign rating with a stable outlook. The agency highlighted expectations of sustainable economic development and a gradual path toward fiscal consolidation, which would allow Hungary's public debt ratio to decline from its pandemic-induced peak in 2021, which is in line with global trends.

The **budget deficit in 2024** is projected to meet optimistic expectations and **decline further** from the previous year.

Key Data Summary Table	
Indicator	**Value/Info**
Added value of foreign-controlled companies	40%
Export-to-GDP ratio (2023)	81.3%
Trade surplus	€4.53 billion (2.31% of GDP)
Foreign-owned share of exports	70–80%
Industry's contribution to GDP	23-26%
Growth outlook 2025	1.8%
Growth outlook 2026	above 3%
Growth outlook 2027	above 4%

Figure 29. Key Economic Indicators

Sources: Hungarian Central Statistical Office and Eurostat

The Hungarian Labour Market

Hungary's labour market indicators suggest **a robust employment environment**. In 2024, the employment rate for individuals aged 15–64 reached **75.3%**, while the unemployment rate stood at **4.5%**.

According to the Hungarian Central Statistical Office, approximately **310,000** unemployed individuals could potentially join the workforce.

As of September 2024, the average gross earnings for full-time employees amounted to HUF **627,400 (€1,530)**, with net earnings (including tax benefits) at HUF 432,200 (€1,054). These figures reflect a year-on-year increase of 12.5% in gross earnings and 12.3% in net earnings.

Adjusted for inflation, real earnings grew by 9.2%. However, due to the devaluation of the Hungarian forint, the increase in euro-denominated employment costs has been comparatively modest. (The average annual devaluation of the forint compared to the euro was almost 3% in the last 10 years.)

The **mandatory minimum monthly base salary** for full-time employees is HUF 266,800 (€650), while roles requiring secondary education or vocational qualifications command a **guaranteed minimum wage of HUF266,800 (€650)**. These minimum wages are reviewed annually and typically rise by 9–14% through negotiations with the government. Nevertheless, the general weakening of the forint against major currencies tends to moderate these increases when expressed in euros or U.S. dollars.

With higher economic growth expected in the coming years, further pressure on salary increases is likely. This coincides with forecasts by the European Commission that the **unemployment rate will decline to 4.1% by 2026**.

Hungary's education system supports around **300,000 university students** across 23 universities nationwide. Each year, nearly 38,000 students graduate in engineering, manufacturing, and construction, while 33,000 focus on mathematics, computing, and natural sciences. Additionally, about 52,000 students pursue automotive-related tertiary education annually.

Among individuals aged 35–44, **36.7% hold higher education degrees, and 89.1% have at least secondary-level qualifications.**

For decades, there has been a growing trend of young Hungarians studying abroad, and a significant (though not precisely quantified) portion return home after completing their studies. Before Brexit, the UK was the most popular destination for Hungarian students, but the Netherlands has since taken its place.

Key Data Summary Table

Indicator	Value/Info
Employment rate (15–64, 2024)	75.2%
Unemployment rate (2024)	4.5%
Potentially employable (approx.)	310,000
Avg. gross earnings (Sep 2024)	HUF 627,400 (€1,530)
Avg. net earnings (Sep 2024)	HUF 432,200 (€1,054)
Real earnings increase (inflation-adjusted)	9.2%
Mandatory minimum monthly base salary	HUF 266,800
Guaranteed minimum wage (skilled roles)	HUF 326,000 (€795)
Typical annual increase in minimum wages	9–14%
Forecast unemployment rate by 2026	4.1%
University students	~300,000
% of 35–44-year-olds with higher ed. degree	36.7%
% of 35–44-year-olds with ≥ secondary ed.	89.1%

Figure 30. Key Labour Indicators

Source: Hungarian Central Statistical Office (2023, 2024)

Hungary's Regions and Key Economic Activities

Hungary's national economic indicators mask **significant regional disparities** in development, employment rates, and costs. For example, the GDP per capita in the capital, Budapest, is around €35,000—slightly higher than that of Rome, Italy—and is **4.5 times that of the poorest region** in the north, located less than an hour's drive awav.

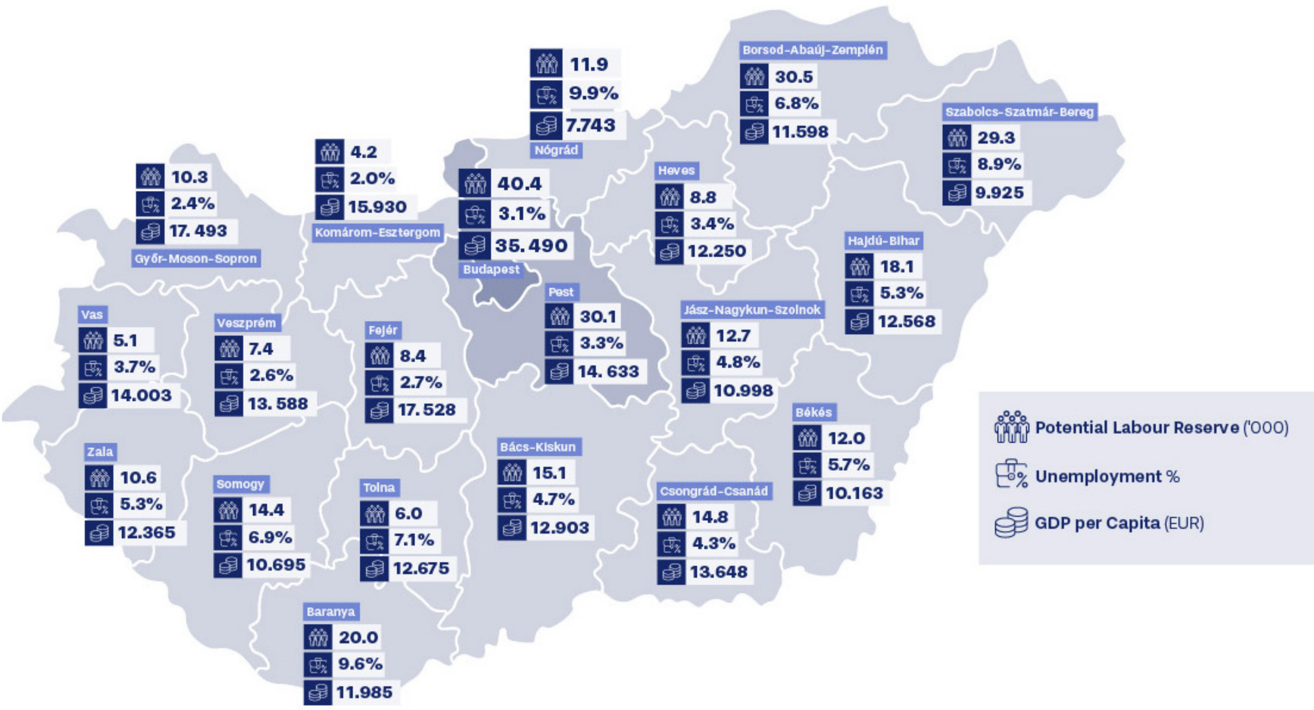


Figure 31. GDP, Unemployment and Potential Labour Reserve

Average net salaries vary less, but still notably, by region. In Budapest, the average net salary **exceeds 500,000 HUF (€1,250)**, while **in the poorest area of eastern Hungary, it was 305,000 HUF (€745)** in the second quarter of 2024.

These regional differences are a key factor when choosing the location for future investments.

In the early 1990s, **the North-west**—directly bordering Austria and closest to Germany—**was the first to develop rapidly**. Even today, this region, along with the capital, leads to employment. However, since Audi established its engine plant there in 1993, **the motorway network has expanded to all major cities**. Now, every major city is within a two-and-a-half-hour drive from Budapest, allowing **investments to spread more evenly** across the country, attracted by a larger pool of available workers and lower wage levels in other regions.

Most of the newest investments are located in the **Eastern part of the country** and have begun to reach the southern regions as well. Some newly preferred areas also benefit from the presence of Hungarian-speaking minorities in lower-cost neighbouring countries, which provides an additional pool of potential workers.

Today, Hungary's main manufacturing hubs are more evenly distributed across regions, reducing competition for local labour. At the same time, there is still potential to find less crowded sites for new investments. The country's emerging regions are well-connected by motorways and railways, and the national airport network is also expanding.

Hungary has **five public international airports, two of which handle the majority of air traffic**. In addition to **Budapest Airport** (BA), the country's main aviation hub, Debrecen operates the second-largest airport, which is **the only other airport besides BA to offer scheduled commercial flights.**

Figure 32. Major Airports and Motorways

While Budapest is well-connected to Europe and hosts some intercontinental flights, including 17 direct weekly flights from major Chinese cities, Debrecen currently serves only European destinations through carriers like Wizz Air and Lufthansa (Wizz Air Hungary is one of Europe's largest low-cost airlines, operating one of the youngest all-Airbus fleets).

Thanks to improved local infrastructure, Debrecen has recently attracted several major investments: a new BMW factory, a CATL mega-plant and an EVE Energy battery facility.

Automotive Production Hub and Battery Powerhouse

Hungary is the **only European country, apart from Germany, to host production units of all three premium German car manufacturers:** Audi in Győr, BMW in Debrecen, and Mercedes-Benz in Kecskemét.

Overall, more than 700 companies operate in Hungary's automotive industry.

Hungary has long attracted Asian investors as well. It welcomed its first major Asian automotive manufacturer in 1991, when Japan's Suzuki established its first European plant in Esztergom. Suzuki came to be regarded by the public as a "national brand," as it produced the first locally manufactured passenger car following Hungary's economic transition. (While Hungary had a notable history in machinery production—Ganz (founded in 1844) was internationally recognised for its railway vehicles, ships, and industrial machinery, and Ikarus (since 1895) manufactured buses—passenger car production only began after Suzuki's arrival.)

Today, in addition to Suzuki in Esztergom, Hungary is home to NIO in Biatorbágy and Opel in Szentgotthárd, alongside the three German premium car brands. Together, these manufacturers produce approximately 452,000 cars and 1.9 million engines annually, contributing to an overall production value of €26.2 billion across all industrial regions of the country.

Hungary has also become essential to the German automotive industry's **transition to electric mobility**. Asian battery manufacturers have begun integrating into the German supply chain, providing the critical battery technology needed for electrification. The European Union has set an ambitious policy goal to phase out combustion engine cars and vans by 2035. Although this plan faces criticism and is subject to further negotiation, it is expected to significantly influence the automotive sector, accelerating the shift to electric vehicles (EVs).

Hungary's current **battery production capacity**—87 GWh per year—is projected to exceed **300 GWh** annually by the end of the decade. This growth would position Hungary as the EU's second largest battery manufacturer after Germany, with Germany's expected capacity at 353.5 GWh by 2030. (Based on HIPA's projection and battery-news.de).

These expansions are designed to support the automotive sector's evolution toward electric mobility.

Among the new investments, Hungary will host Europe's largest Chinese battery factory, a 100 GWh facility. The €7.34 billion mega-investment is intended primarily to supply batteries for German brands like Mercedes-Benz and BMW, as well as the French Stellantis group.

Samsung, which already operates and is expanding its battery plant in Göd, is following a similar strategy. While Samsung keeps its target capacity confidential, it is considered a **strong challenger to CATL**. Its plant, which generated €6 billion in revenue in 2023, is already the region's largest and is **slated to become Samsung's top battery production hub worldwide**. In addition to manufacturing, Samsung invests in research and development in Hungary, a contribution that the Hungarian government highly values.

Figure 33. Automotive and Battery Manufacturers

R&D Expansions

German manufacturers with a longstanding presence in Hungary are increasingly bringing more advanced roles, including research and development, to their Hungarian facilities. Audi Hungary leads in R&D expenditures, and other global players, such as Knorr-Bremse—the world's leading rail brake producer—have also established large R&D teams in Budapest. Knorr-Bremse's development staff in Hungary is the largest in its global network, benefiting from a highly skilled yet more cost-effective workforce than in Germany, even in the capital city. Attracting R&D-related investments alongside manufacturing is a key strategic priority for Hungary, strongly supported by government initiatives.

The Critical Element of the Supply Chain – Recycling

As Hungary positions itself among the world's top five battery manufacturers, ensuring access to all essential components of battery production becomes critical, and recycling is among the most important.

The Hungarian government actively encourages the expansion of domestic recycling capacity. Under EU regulations, manufacturers are responsible not only for producing batteries but also for managing their recycling at the end of their life cycle. This includes financing and organising the collection, treatment, and recycling of all batteries they place on the market.

Moreover, battery production itself generates a significant amount of waste. Due to the technology and processes involved, nearly half of the output in battery manufacturing consists of scrap material, necessitating efficient recycling solutions.

Battery recycling presents opportunities even for smaller companies with advanced technologies. Such firms can garner strong government support, as expanding recycling capacity is vital to sustainably managing the rapid growth in Hungary's battery manufacturing sector over the next five years.

Contemporary Amperex Technology Ltd. (CATL)	
INVESTMENT DETAILS	• **CATL's battery factory** in Debrecen represents the largest foreign direct investment in Hungary to date, valued at **HUF 3 trillion (approximately €7.34 billion)**. • Expected to create **9,000 jobs** in the region.
STATE SUPPORT	• Hungary supports CATL through - Direct financial support for job creation. - Tax benefits.

Samsung SDI Göd Factory Expansion	
INITIAL INVESTMENT	• In 2017, Samsung SDI committed **€1.2 billion** to expand its **electric vehicle battery plant** in **Göd**, Hungary. • Reached full production capacity in January 2022, delivering **over 6 million battery cells monthly**, primarily to the European Economic Area.
STATE AID AND EU APPROVAL	• Hungary proposed a **€108 million** state aid package, later revised to **€89.6 million** after an EU investigation. • The EU approved this support in 2023, citing: - **Positive regional impact** on economic development and job creation. - Evidence that the project would not have been realised in the EU without this support. • The expansion created **1,200 new jobs** and significantly boosted local economic growth.

BYD Factory in Szeged	
INVESTMENT DETAILS	• BYD's factory in Szeged is the company's first European manufacturing plant. • The factory will focus on producing electric vehicles for the European market. • Located in a 300-hectare industrial park near the ELI-ALPS laser research institute and Science Park. • Expected to create thousands of jobs in the region.
STATE SUPPORT	• Hungary is providing financial assistance for the project, pending European Commission approval. • Specific support includes: - Tax benefits - Infrastructure developments in the surrounding industrial area.
TIMELINE	• The first vehicles are expected to roll off the production line in the second half of 2025.

Figure 34. Recent Investments

Taxation and Labour Cost

Hungary offers a highly competitive Corporate Income Tax (CIT) rate (9%), extensive tax treaty networks, R&D and development incentives, and a flexible administrative environment (e.g., IFRS adoption, group taxation). While value-added tax (VAT) stands at a high standard rate of 27%, exports benefit from a 0% rate. Labour costs are transparent, with clearly defined employer and employee contributions. Local taxes and certain levies, such as the local business tax (up to 2%) and building tax (up to 2,508 HUF/m²), vary by municipality. A rehabilitation contribution may apply if the workforce composition does not meet certain requirements.

Investors benefit from stable tax frameworks, easy capital repatriation, and broad treaty coverage, making Hungary an appealing destination for foreign investments.

Sector-specific taxes
In Hungary, during transitional periods requiring increased tax revenues, the government may impose temporary special taxes on industries considered less dependent on foreign investment, stable in revenue, and highly profitable. These targeted sectors typically include banks, telecommunications companies, the pharmaceutical industry, and large retailers. Manufacturers, however, are excluded from such temporary tax measures.

1. Central Taxes

1.1 Corporate Income Tax (CIT)

- CIT rate: 9% since 2017—currently the lowest in the European Union.
- Foreign taxpayers are subject to limited tax liability in Hungary, meaning only income derived from business activities carried out in Hungary is taxed.

1.2 Value Added Tax (VAT / ÁFA)

- Standard VAT rate: 27%
- Exports: 0% VAT

1.3 Withholding Tax

- **Dividends:**
  - For companies: 0%. Dividends are recorded as revenue and reduce the CIT base, except for those from controlled foreign corporations (offshore companies).
  - For individuals: 15% personal income tax (PIT), potentially modified by tax treaties, plus a 13% social contribution tax.
    - The social contribution tax is payable until the total income subject to this tax reaches 24 times the minimum wage. In 2024, the threshold is 6,403,200 HUF (~15,620 EUR at 410 HUF/ EUR).
- **Interest and Royalties:**
  - For companies: No withholding tax.
  - For individuals: 15% PIT + 13% social contribution tax, totaling 28%.

1.4 Tax Incentives

- **R&D Deductions:**
  R&D-related tax benefits can be utilised in the year costs occur and the following three tax years, up to 100% of the payable tax. Unused benefits are refunded by the tax authority.
- **Development Tax Allowance:**
  Available for qualifying initial investments, up to 80% of the calculated tax. Eligible if undertaken by an SME or a large enterprise in designated regions (e.g., Northern Hungary, Southern Great Plain, etc.). After applying the development allowance, additional allowances (e.g., support for spectator sports, film production, SME tax allowances) can be used up to 70% of the reduced tax.

- **Energy Efficiency Investment Allowance:**
  Up to 45% of eligible costs, capped at the HUF equivalent of 15 million EUR.
- **Electricity Storage Investment Allowance:**
  Up to 30% of eligible costs, capped at the HUF equivalent of 30 million EUR.

1.5 Capital Gains Taxation

- Exemptions for "reported shares" and intangible assets held for at least one year.
- Non-residents generally are not taxed on capital gains from Hungarian shares, except in the case of real estate holding companies (9%).

1.6 Global Minimum Tax

- A 15% tax rate applies to Hungarian members of multinational groups whose consolidated revenue exceeds EUR 750 million in at least two of the four years preceding the tax year examined.

1.7 Net Operating Losses (NOL)

- Negative tax bases can be carried forward for five tax years, offsetting up to 50% of taxable income each year.
- Losses from before 2015 can be carried forward indefinitely.

1.8 Transfer Pricing

- Documentation is required for related-party transactions exceeding HUF 100 million (~244,000 EUR).
- Rules are aligned with OECD guidelines.

1.9 Foreign Investments

- No general restrictions on foreign ownership, except for agricultural land.
- Hungary has a comprehensive tax treaty network covering more than 80 countries.

1.10 Administrative Flexibility

- IFRS may be adopted.
- Flexible tax filing and group taxation options.
- No foreign exchange controls; the Hungarian forint (HUF) is freely convertible.

2. Labour Taxes and Contributions

A guaranteed minimum wage applies for positions requiring at least secondary education or vocational qualifications.

- **Guaranteed Minimum Wage in 2024**
  326,000 HUF (~795 EUR) gross per month.
  Deductions from 326,000 HUF:
  - Personal Income Tax (PIT) (15%): 48,900 HUF (~119 EUR)
  - Social Security Contributions (18.5%): 60,310 HUF (~147 EUR)
    Net pay: 216,790 HUF (~529 EUR)
    Additional employer cost:
  - Social Contribution Tax (13%): 42,380 HUF (~103 EUR)
    Total employer cost: 368,380 HUF (~898 EUR)

  Deductions can be reduced to zero through various allowances.

  Employer's tax on gross wages:
  - Social Contribution Tax (SZOCHO): 13%

Employee's taxes and contributions (withheld from gross wages):

- Personal Income Tax (SZJA): 15%
- Social Security Contributions (TB): 18.5%

3. Local Taxes

- **Local Business Tax:**
  Up to 2% on the tax base, calculated on revenue reduced by material costs and cost of goods sold (ELÁBÉ).
- **Building Tax (Építményadó):**
  Previously could be up to 1,100 HUF/m² (~2.68 EUR/m²) or calculated as 3.6% of the property's adjusted market value, depending on the municipality. From 2025, municipalities increasingly introduce or raise building tax up to 2,508 HUF/m² (~6.1 EUR/m²), partly due to the central reallocation of a large portion of local business tax.

4. Rehabilitation Contribution

- For employers with more than 25 employees, if the number of employees with reduced working capacity is below 5%, a rehabilitation contribution applies. This is calculated at 2.4 million HUF/person/year (~5,854 EUR/person/year).

5. Other Taxes

- **Vehicle-related Taxes:**
  Company Car Tax and Vehicle Tax apply depending on ownership and accounting for costs or depreciation of vehicles.

6. Grants and Subsidies

- Grants and subsidies must be handled on a case-by-case basis. Recently, there have been fewer such opportunities.

Launching a Business

Business Registration

Registering a business in Hungary is mandatory. Companies must engage an attorney and complete online registration through county-level courts of justice, which act as registration courts. These courts are required to process applications for limited liability and joint-stock companies within 15 working days, but in practice, the process often concludes within three working days. If the courts fail to act within the designated timeframe, the company is automatically registered. For businesses using a template corporate charter, registration can be expedited via a one-day fast-track procedure.

The registration courts automatically share company information with the Tax Authority (NAV), removing the need for separate tax registration. Additionally, the courts maintain a computerised registry and electronic filing system, ensuring public access to company information.

Minimum Capital Requirements:
- Limited Liability Companies: 3,000,000 HUF (approximately €7,300 at 410 HUF/EUR)
- Private Limited Companies: 5,000,000 HUF (approximately €12,200 at 410 HUF/EUR)
- Public Limited Companies: 20,000,000 HUF (approximately €48,800 at 410 HUF/EUR)

Foreign individuals and entities can establish businesses in Hungary without restrictions.

Additional Resources:
- Government portal for business information: eugo.gov.hu/starting-business-hungary
- Ministry of Justice's Company Information Service: ceginformaciosszolgalat.kormany.hu
- Tax Authority (NAV): nav.gov.hu

Hungary's streamlined procedures and accessible resources make business registration straightforward for both domestic and foreign investors.

Hungary participates in the EU initiative to create a European network of "Points of Single Contact," providing comprehensive information about the country's business and legal environment. Businesses and potential investors can also connect with the Hungarian Investment Promotion Agency (HIPA). In recent years, the Hungarian government has strengthened investor engagement by signing strategic agreements with key investors and forming a National Competitiveness Council, which recommends measures to enhance economic competitiveness.

Transparency of the Regulatory System

Hungary's legal, regulatory, and accounting frameworks align with international and EU standards. Foreign investors operate primarily under EU directives and related national laws. EU regulations and decisions apply directly, while directives must be transposed into Hungarian law. In case of conflicts, EU legislation overrides Hungarian law.

Hungary's labour, environmental, health, and safety laws meet EU requirements. As an EU Member State, Hungary follows EU foreign trade and investment policies and is also part of the World Trade Organisation (WTO).

The Hungarian legal system is rooted in continental European traditions and influenced by German, French, and Roman law. Contractual disputes can be resolved in ordinary courts or by arbitration, if stipulated by the contract. Investors may select Hungarian or foreign arbitration courts.

Legislative texts are available on the Parliament's official website. Once enacted, laws are published in the official gazette, Magyar Közlöny, which is accessible online. The government may issue decrees with nationwide scope if they do not conflict with parliamentary legislation. Municipalities can issue decrees effective only within their jurisdictions.

Hungarian financial reporting standards comply with International Accounting Standards, as well as the EU Fourth and Seventh Directives. Businesses must prepare consolidated annual financial statements in accordance with International Financial Reporting Standards (IFRS).

The legislative process, including key regulatory actions, is documented and published on the Parliament's webpage. Explanatory notes attached to draft bills summarise their objectives, though regulators seldom issue public comments on these drafts.

Regulatory enforcement occurs through county- and district-level government offices. Decisions made by these offices can be reviewed and challenged in county-level courts.

ESG Reporting Regulations

The landscape of corporate reporting has undergone a significant transformation with the introduction of the EU-wide **Corporate Sustainability Reporting Directive (CSRD)**. Beyond financial data, companies must now disclose non-financial performance indicators, reflecting a broader focus on sustainability. While sustainability reporting is not a new concept, the CSRD has substantially expanded the scope and obligations of its predecessor, the **Non-Financial Reporting Directive (NFRD).**

In Hungary, the CSRD has been incorporated into the **2000/C Hungarian Accounting Act**, specifically under **Chapter III/A and Chapter VI/C**, with the provisions coming into effect on **1 January 2024**. The new law introduces several key features:

- **Language:** Hungarian
- **Mandatory Reporting:** Sustainability reporting, previously optional for many companies, is now a legal requirement (see details below).
- **Reporting Standards:** Reporting must adhere to the European Sustainability Reporting Standards (ESRS), incorporating both qualitative and quantitative metrics.
- **Double Materiality Assessment:** The ESRS introduces the obligation of double materiality assessment.
- **Unified Reporting Format:** Reports must be prepared in a digital format using the European Single Electronic Reporting Format (ESEF) to ensure standardisation and comparability.
- **Integration with Annual Reports:** The sustainability report must be published alongside the company's annual financial report within 6 months on the company's website.
- **External Assurance:** Independent assurance of sustainability reports is now mandatory.

The law also requires companies to examine how their operations contribute to the values enshrined in Hungary's Constitution, with particular emphasis on promoting family-friendly practices.

Key details of the new requirements:

1. Scope and Applicability:

The CSRD expands the existing sustainability reporting requirements under the Non-Financial Reporting Directive (NFRD).

It applies to:

- Large listed public-interest companies that are already subject to NFRD, exceeding at least two of the following criteria:
  - HUF 10 bn in total assets
  - HUF 20 bn in net turnover
  - 500 or more employees on average annually
  - Mandatory reporting in 2025
- EU-based large companies including EU subsidiaries of non-EU companies exceeding at least two of the following criteria:
  - HUF 10 bn in total assets
  - HUF 20 bn in net turnover
  - 250 or more employees on average annually
  - Mandadotory reporting 2026
- Non-EU companies with activity in the EU, if their net turnover is over 150 mn EUR and have at least one branch or subsidiary in the EU
  - Mandatory reporting 2029
- **Reporting Requirements:**
  - Companies must report on **environmental, social, and governance (ESG)** issues.
  - Reports should align with the **European Sustainability Reporting Standards (ESRS),** ensuring consistency and comparability across member states.
  - Key areas include climate change mitigation, biodiversity protection, respect for human rights, and anti-corruption measures.
  - Reporting must be integrated into annual management reports and subject to independent assurance.

Business Registration

EU competition law is fully applicable in Hungary. The Hungarian Competition Authority (HCA), responsible for safeguarding public interest, enforces the Hungarian Competition Act. It investigates suspected violations of competition laws, mandates changes to practices where necessary, and imposes fines or penalties for infractions.

Although the number of competition cases has declined since 2010, the complexity of these cases has increased. In 2022, the HCA handled over 60 cases, with only a few involving companies registered in the United States.

Responsible Business Conduct (RBC) in Hungary

Hungary actively promotes RBC among multinational corporations by encouraging adherence to the OECD Guidelines for Multinational Enterprises. To facilitate this, Hungary has established a National Contact Point (NCP) within the Ministry of Finance, where stakeholders can access information or raise concerns about RBC practices. The NCP comprises representatives from the Ministries of Finance, Foreign Affairs and Trade, Economic Development, and Agriculture. The Hungarian NCP submits annual reports to the OECD Investment Commission, though it did not submit one in 2020 due to the COVID-19 pandemic. More details are available on the official website: Hungarian NCP.

RBC does not generally influence government procurement decisions, but the 2015 Public Procurement Act incorporates CSR principles, responsible business practices, and good governance. Several NGOs and associations, such as CSR Hungary Forum and "Kovet," recognise and support CSR initiatives in the private sector.

Labour Policies and Practices

Hungarian labour laws mandate severance payments in cases of layoffs and, under certain conditions, for employees who terminate their contracts. Unemployment benefits are provided by the government for up to three months, supplemented by services offered through local employment offices. While Hungary's labour productivity falls below the EU average, it surpasses that of many other Central and Eastern European countries. Trade union membership in Hungary is relatively low, with less than 10% of workers participating, compared to the EU average of 25%. Additionally, only 20% of Hungarian businesses have collective bargaining agreements on labour conditions and benefits, significantly below the EU average of 80%. Hungary has ratified all eight core conventions of the International Labour Organisation (ILO) and is an active ILO member. Labour disputes can be resolved through mediation or court proceedings; however, most cases are settled directly between employees and employers without formal procedures.

In December 2018, Hungary amended its Labour Code to increase the amount of overtime employers can request and extended the period for reconciling and compensating overtime to three years. The country's constitution and labour laws prohibit discrimination based on race, sex, gender, disability, language, sexual orientation, gender identity, HIV status or other communicable diseases, or social status.

Hungary's Trade and Investment Agreements

Since Hungary is a member of the European Union (EU), most of its trade agreements are negotiated and concluded by the EU on behalf of all its Member States, including Hungary. Hungary has also established a network of Bilateral Investment Treaties (BITs), many of which were signed prior to or independently of its EU membership.

EU-Level Trade Agreements (Applicable to Hungary)

As an EU Member State, Hungary is party to all EU trade agreements currently in force, provisionally applied, or concluded by the EU. These include:

- Comprehensive Economic and Trade Agreement (CETA) with Canada
- Eco nomic Partnership Agreement (EPA) with Japan
- EU-Singapore Free Trade Agreement
- EU-Singapore Digital Trade Agreement (EUSDTA), negotiations of which was concluded during Hungarian Presidency of the Council of the EU in July 2024
- EU-Vietnam Free Trade Agreement
- EU-South Korea Free Trade Agreement
- Association Agreements, including Deep and Comprehensive Free Trade Areas (DCFTAs) with Ukraine, Moldova, and Georgia

- Trade agreements with Mexico, Chile, and the Andean countries (Colombia, Ecuador, Peru)
- Economic Partnership Agreements (EPAs) with various African, Caribbean, and Pacific (ACP) countries, such as CARIFORUM states, Eastern and Southern Africa countries, Southern African Development Community (SADC) states, Côte d'Ivoire, Ghana, and Cameroon
- EU-UK Trade and Cooperation Agreement (post-Brexit)

A regularly updated, comprehensive list of EU trade agreements in force, those concluded but not yet in force, and those under negotiation is available on the European Commission's trade website:

Source: European Commission – EU Trade Agreements

Bilateral Investment Treaties (BITs)

Hungary has concluded numerous BITs, many of which predate its EU membership. While these BITs are not "trade agreements" in the strict sense of Free Trade Agreements (FTAs), they do influence the investment environment. A list of Hungary's BITs and other International Investment Agreements is available through UNCTAD's Investment Policy Hub:

Source: UNCTAD Investment Policy Hub – Hungary

This database lists all BITs and investment-related treaties Hungary has signed and/or that are currently in force. Note that due to Hungary's EU membership, the European Commission now holds exclusive competence over foreign direct investment. As a result, some BITs may be subject to renegotiation or adaptation to align with EU law.

BIT Agreements Concluded After Hungary Joined the EU (List of Countries):

- Turkmenistan
- San Marino
- Oman
- UAE
- Kyrgyzstan
- Cabo Verde
- Belarus
- Iran
- Tajikistan
- Cambodia
- Jordan
- Azerbaijan

Multilateral Agreements

As an EU Member State, Hungary is also party to all agreements concluded by the EU at the multilateral level, particularly those under the World Trade Organisation (WTO).

Investment Support

One of the cornerstones of Hungary's investment-friendly policy is its highly competitive corporate tax system, featuring the lowest corporate income tax rate in the European Union at 9%. This is complemented by development tax allowances for projects exceeding €3 million, along with tax credits for research and development (R&D), job creation, and energy-efficient investments. In addition, the government offers non-refundable cash subsidies for large projects, particularly those that bring significant economic benefits, such as creating jobs, establishing R&D centres, or driving regional development.

Companies investing in research can collaborate with Hungarian universities and research institutions, benefiting from a well-established innovation ecosystem that connects education with industry needs. Workforce training programmes also play a key role: companies can access subsidies to upskill employees and participate in dual education initiatives with universities and vocational schools, ensuring a skilled labour supply tailored to their operational requirements.

Investments are supported by:

- **Corporate Income Tax:**
  Hungary offers a flat 9% corporate income tax rate—the lowest in the European Union.
- **Non-Refundable Cash Incentives**:
  For certain investment projects, Hungary provides non-refundable cash grants. Eligibility and amount depend on factors such as project location, size, and the number of jobs created.
- **Development Tax Allowance:**
  Investments exceeding specified value thresholds can benefit from a development tax allowance. This can be used to reduce corporate tax liability for a defined period, encouraging large-scale capital investments.
- **Training Subsidies:**
  Support is available to train or re-skill employees, ensuring investors have access to a qualified workforce.
- **R&D Incentives:**
  Research and development activities are supported through tax allowances and credits. Companies involved in innovation may deduct eligible R&D costs and enjoy other tax benefits.
- **Supplier Search Assistance:**
  HIPA helps investors identify suitable suppliers and business partners, facilitating integration into the local supply chain.
- **Liaison with Authorities:**
  HIPA assists in navigating licensing procedures, permits, and other regulatory steps, streamlining the administrative process for investors.

Key Organisations for Foreign Investment

The Hungarian Investment Promotion Agency (HIPA) is at the forefront of supporting foreign investors throughout the entire investment process. As the primary government body dedicated to attracting and assisting international businesses, HIPA provides comprehensive, free-of-charge services—from initial market research and site selection to navigating incentive schemes and liaising with authorities. This end-to-end support ensures that foreign companies can confidently establish and expand their operations in Hungary.

HIPA
Website: https://hipa.hu/en
Services for Foreign Investors:
- Detailed market information and guidance on the Hungarian business environment.
- Assistance with site selection to help investors find optimal locations for their operations.
- Information on available incentives, tax benefits, and financing options.
- Liaison services with relevant government authorities, simplifying administrative and regulatory procedures .
- Ongoing aftercare support to ensure the long-term success and growth of investments.

EUGO Hungary (Hungarian Point of Single Contact)
Website: https://eugo.gov.hu
EUGO is an official online portal maintained by the Hungarian government, designed to streamline administrative and procedural steps for businesses operating in Hungary. For foreign investors, EUGO is useful because it:
- Provides comprehensive information on permits, licenses, and regulatory requirements needed to start and run a business.
- Offers guidance on administrative procedures, ensuring compliance with EU and Hungarian laws.
- Simplifies market entry processes, helping foreign companies establish their operations more efficiently and transparently.

In addition to HIPA, the Hungarian Export Promotion Agency (HEPA), also supervised by the Ministry of Foreign Affairs and Trade, focuses on promoting Hungarian exports. While not a primary contact point for foreign investors, HEPA can indirectly support them in specific cases, particularly when it comes to identifying local suppliers or integrating into Hungarian supply chains.

List of Relevant Industrial and Business Organisations in Hungary

1. Hungarian Investment Promotion Agency (HIPA)

Website: https://hipa.hu/
- **The one-stop shop for market entry** and expansion in Hungary for foreign investors.

2. Hungarian Chamber of Commerce and Industry (MKIK)

Website: https://mkik.hu/en
- Represents the business community in Hungary, with a focus on SME development.

3. National Association of Entrepreneurs and Employers (VOSZ)

Website: https://vosz.hu/en
- Hungary’s largest private business organisation, offering services such as regulatory updates, business development, and networking.

4. MGYOSZ – Business Hungary

Website: https://www.mgyosz.hu/en/

- The largest employers' representative organisation, advocating for economic and labour policy improvements on behalf of its members, offering a platform to engage with Hungary's industrial and employer networks. Represents a powerful voice in economic policymaking, beneficial for aligning foreign investor interests with national policies.

5. Joint Venture Association (JVA)

Website: https://jointventure.hu/en

- Represents the interests of companies with foreign and mixed ownership, fostering a favourable investment environment.

6. American Chamber of Commerce in Hungary (AmCham Hungary)

Website: https://www.amcham.hu/

- Promotes trade and investment between Hungary and the U.S., providing advocacy and networking opportunities. Offers access to a network of influential businesses and best practices in international trade.

7. German-Hungarian Chamber of Industry and Commerce (DUIHK)

Website: https://www.ahk.de/en/locations/europe/hungary

- Facilitates economic relations between Germany and Hungary, offering market entry support and networking opportunities. A key association with strong government connections.

8. Hungarian Export Promotion Agency (HEPA)

Website: https://hepa.hu/en

- Focused on promoting Hungarian exports while assisting investors in sourcing local suppliers and services.

Industrial Parks

What is an Industrial Park and Why is it Relevant for Foreign Investors?

An industrial park is a designated area developed and zoned for industrial use, typically equipped with modern infrastructure and utilities, logistical support, and various services to facilitate manufacturing, warehousing, and related business activities. For foreign investors, choosing the right industrial park can significantly ease market entry, reduce startup costs, and ensure ready access to talent, transportation networks, and supply chains. There is a total of 14 industrial parks in Hungary. This strategic environment can streamline the establishment and expansion of operations, enabling investors to quickly adapt to local conditions and scale their business in Hungary.

Selected Industrial Parks in Hungary

Industrial Park Győr
Website: IPGYOR
Established in 1992, this industrial park has become a major automotive production hub, notably hosting Audi Hungaria's extensive facilities. It supports a wide range of manufacturing, logistics, and supply chain operations, attracting substantial foreign investments. Industrial Park Győr offers high-quality sites with advanced infrastructure and excellent accessibility, benefiting both large investors and SMEs. Over 100 companies from 13 countries operate here, leveraging the park's strong development opportunities.

Sóstó Industrial Park (near Székesfehérvár)
Website: SOSTOPARK
Located near Székesfehérvár, Sóstó Industrial Park is geared towards industrial manufacturing and logistics. It provides modern infrastructure suitable for multinational corporations and SMEs alike. With strong transport links to Budapest and Western Europe, the 260-hectare park hosts more than 45 businesses employing over 16,000 people. It offers both existing properties for lease and development land for build-to-suit facilities.

Tatabánya Industrial Park
Website: https://inpark.hu/projects/inpark-tatabanya/
Positioned along the M1 motorway, Tatabánya Industrial Park is strategically located for logistics and manufacturing companies. It is home to several multinational firms, especially in the automotive, electronics, and energy sectors, benefiting from direct connections to major transportation routes.

INPARK – National Industrial Park Network
Managed by: National Industrial Park Operator and Developer (NIPÜF)
Website: INPARK
INPARK is Hungary's national network of state-owned industrial parks, offering modern, customisable infrastructure across multiple locations. Industries such as logistics, manufacturing, and technology can choose from standard facilities for lease, build-to-suit solutions, and development lands for sale. This network provides a comprehensive and flexible property platform catering to various investor needs.

IGPark Debrecen
Website: IpariPark Info Group
Located in the northwestern industrial belt of Debrecen, IGPark covers 4.6 hectares and holds a valid building permit for a 21,000 m² facility (planned handover in Q2 2025). Designed to support light industrial manufacturing firms, it is situated in close proximity to the BMW factory and offers a full range of services and utilities for its tenants and partners.

Pilis Industrial Park
Website: https://pilispark.hu/en/
Situated in Pilisjászfalu, within Budapest's agglomeration, this park serves logistics and light industrial operations. Its prime location near major highways and urban centres ensures seamless access to both domestic and European markets. The park provides modern, energy-efficient infrastructure, including offices, warehouses, and workshops for rent, incorporating renewable energy sources.

Southern Industrial Park (Pécs)
Website: https://pecseconomy.eu/industrial-parks-in-pecs/southern-industrial-park/
Located at the southern limits of Pécs and designated as an industrial park since 2010, this 110-hectare area focuses on industries such as food processing, logistics, and manufacturing. It benefits from regional incentives and ongoing infrastructure developments.

Innovinia Industrial Parks (formerly Infogroup)
Website: Innovinia, Property Forum
Innovinia manages several industrial parks across Hungary, offering diverse options for manufacturing and logistics:

- **Miskolc:** In the city's northern industrial area (Mechatronics Industrial Park), adjacent to Bosch and Chevron plants.
- **Kecskemét:** Close to the M5 motorway and Highway 54, near major companies like Mercedes-Benz, Kühne+Nagel, Duvenbeck, Knorr-Bremse, and Motherson.
- **Polgár:** Located off the M3 highway, near the TVK/MOL chemical plant in Tiszaújváros.
- **Tiszaújváros:** Known for its chemical and industrial manufacturing base.
- **Karcag:** A developing industrial hub, supporting regional SMEs and logistics operations.

Following its rebranding from Infogroup to Innovinia in September 2023, the company aims to expand internationally while continuing to offer prime industrial locations within Hungary.

An industrial park is a designated area developed and zoned for industrial use, typically equipped with modern infrastructure and utilities, logistical support, and various services to facilitate manufacturing, warehousing, and related business activities. For foreign investors, choosing the right industrial park can significantly ease market entry, reduce startup costs, and ensure ready access to talent, transportation networks, and supply chains. There is a total of 14 industrial park in Hungary. This strategic environment can streamline the establishment and expansion of operations, enabling investors to quickly adapt to local conditions and scale their business in Hungary.

Interviews

Key Insights of Asian Companies Established in Hungary

Introduction

Interviews with Asian companies operating in Hungary have revealed valuable insights into the practical considerations of investing and conducting business in Europe. These findings highlight key experiences and lessons learned, serving as a useful guide for investors exploring opportunities in the EU.

Why Invest in the EU?
Reliable Supply Chain:

Asian companies emphasised that relocating production to Europe ensures a more stable and responsive supply chain. In the EU, meeting high quality standards often requires rapid component replacements. While sourcing parts from Asia could take 6–8 weeks, in Hungary replacements can be acquired within a day. This proximity reduces maintenance downtime, lowers inventory costs, and enhances supply chain flexibility.

Stricter Environmental Regulations:

European companies must increasingly comply with stringent environmental regulations and reduce their carbon footprint. Shorter supply chains, access to green electricity, and reduced transportation needs are more attainable when operating from Hungary. Being closer to customers and suppliers also facilitates compliance with these sustainability standards.

Cost of Investment

For Korean and Japanese investors, investing in Hungary offers a cost advantage compared to many Western European locations. Similarly, for Chinese companies, Hungary provides a relatively cost-effective entry point into the European market.

That said, Europe generally has higher energy prices, and construction costs are often elevated due to stricter EU quality standards, safety requirements, and regulations. Underestimating these costs typically arises from insufficient preparation. Companies that invest in thorough feasibility studies and engage local experts early in the planning phase can mitigate unexpected expenses and leverage opportunities, such as competitive tendering for electricity and gas supplies—an essential cost-saving measure, especially in energy-intensive sectors like battery manufacturing.

Workforce and Location

All interviewed investors expressed satisfaction with their chosen locations in Hungary, although selecting the right site was described as a complex decision-making process. Location determines access to robust infrastructure and a dependable labour supply.

While a concentration of investments in a particular region can accelerate infrastructure development, it may also increase competition for skilled workers, raising labour costs and affecting workforce reliability. Balancing these factors is crucial for sustained operational success.

State Support Schemes

Investors, including representatives from Samsung, highlighted the critical support offered by the Hungarian Investment Promotion Agency (HIPA). HIPA provides continuous engagement with investors, safeguarding their interests and offering tailored solutions. Key services include:

- Financial Incentives: Customised financial support packages.
- Supplier Search Assistance: Guidance in finding suitable locations and reliable local suppliers.
- Government Liaison: Facilitating communication and coordination with relevant authorities.
- Project Support: Offering investment counseling and project management assistance.
- Regulatory Assistance: Supporting dialogue and compliance throughout regulatory processes.

Challenges Mentioned

The challenges identified by the interviewed companies align with broader issues affecting the entire EU, and in some cases, the global market:

- Stronger Competition for Workforce: Growing demand for skilled labour is intensifying.
- Uncertainty in the Automotive Sector: Rapid transitions to electric mobility and evolving consumer preferences introduce uncertainty.
- Volatile Energy Prices: Fluctuating energy costs pose ongoing operational challenges.
- Stricter Regulations: Particularly in waste management, increasing regulatory demands add complexity and cost.

Conclusion

Asian companies investing in Hungary underscore the importance of thorough preparation, strategic location selection, and strong partnerships with organisations like HIPA. While challenges exist—ranging from workforce competition to regulatory compliance—Hungary's advantages in supply chain responsiveness, environmental compliance, and cost-effectiveness make it an attractive destination for companies looking to establish a presence in the European market.

Key Drivers of Asian Companies Entering Europe

1. Market Proximity

- Local production reduces logistics time (6–8 weeks transit from Asia vs. 1-day delivery within Europe).
- Proximity to customers enables faster response times and higher reliability, particularly for automotive parts where delays are costly.

2. Sustainability Expectations

- European customers demand lower CO_2 footprints, shorter supply chains, green energy usage, and compliance with stringent environmental standards.
- Producing locally aligns with these expectations and reduces transportation emissions.

3. Strategic Long-Term Vision

- Despite current economic uncertainties, Asian companies view establishing operations in Europe as part of a long-term strategy, prioritising market integration over short-term profits.

4. Regulatory and Quality Standards

- Customers value consistent quality and adherence to standards, making local production an attractive option for European clients.

Advantages for Asian Companies in Europe

1. Access to Incentives

- Countries like Hungary offer significant government incentives, support from local municipalities, and facilitation by organisations such as HIPA (Hungarian Investment Promotion Agency).

2. Improved Margins

- Working with European customers provides higher margins and fewer cost-cutting pressures compared to the aggressive cost-control practices of some Asian clients.

3. Infrastructure and Talent

- Good locations offer strong infrastructure (universities, motorways) and access to skilled labour pools, easing recruitment challenges.

4. Certainty in Supply

- European customers prefer just-in-time supply chains over holding large inventories, creating an opportunity for local production to meet these demands.

Challenges Encountered

1. Underprepared Investments

- Early-stage issues included insufficient pre-investment studies, over-simplified cost estimations, and a lack of local knowledge.

2. Labour Competition

- Multiple new investments in the same region intensify competition for workers, driving up wages and necessitating automation to remain competitive.

3. Regulatory Complexity

- Migratory laws, safety standards for production equipment, and requirements for renewable energy usage add complexity to operations.

Interview Summaries

Patec Precision is a Singaporean manufacturing company specialising in metal stamping, tooling, and precision engineering solutions, serving industries such as automotive, electronics, and industrial sectors. The company established operations in Hungary to strengthen its European presence and better serve its key automotive and industrial clients.

Patec selected Hungary due to its strategic location in Central Europe, excellent infrastructure, and access to a skilled workforce. The country's EU membership and proximity to major markets like Germany provide logistical and operational advantages, enabling efficient supply chain management. Hungary's strong industrial ecosystem and government incentives were also key factors in the decision.

The company emphasised the significant support it received from the Hungarian Investment Promotion Agency (HIPA), which facilitated market entry by offering tailored financial incentives, assistance with licensing, and connections with local suppliers. This collaboration proved crucial in navigating regulatory challenges and establishing a smooth operational setup.

While Hungary offers numerous advantages, Patec noted challenges such as energy price volatility, regulatory complexities, and rising competition for skilled labour due to other large investments in the region. The company also highlighted the impact of labour cost increases, driven by higher minimum wages and workforce competition in industrial hubs.

To address these challenges, Patec has implemented automation and efficiency improvements in its production processes. The company also engages actively with local authorities and stakeholders to adapt to changing market dynamics and regulatory requirements.

Despite these hurdles, Patec views Hungary as a strategic base for its European operations, offering long-term growth opportunities. The company's experience underscores Hungary's strengths as a manufacturing hub, supported by a business-friendly environment, robust infrastructure, and proactive governmental support.

Orion Electronics Ltd, founded in 1913, is a longstanding and respected Hungarian electronics company. Initially established as a manufacturer of electrical bulbs, Orion expanded into electronics manufacturing in the 1950s with radios and further diversified in the 1960s by adding television production alongside a range of other consumer electronics products. In 1997, Orion was acquired by the Thakral Group. Today, the company's business activities include PCB assembly for luxury automobile manufacturers, IT systems assembly and configuration, touch-screen integration, marketing and distribution of Orion-branded products, third-party logistics, and property investment and management for both short-term and long-term rentals.

Orion Electronics Ltd emphasises several key advantages of operating in Hungary, making it an attractive destination for foreign investors, including those from Asia. The company highlights Hungary's strategic geographic location, excellent infrastructure, skilled workforce, and competitive tax policies as primary factors contributing to their successful establishment and growth in the Hungarian market. Support from the Hungarian Investment Promotion Agency (HIPA) has been instrumental, providing incentives, assistance in identifying local suppliers and facilitating interactions with relevant authorities.

Despite these advantages, Orion faces challenges such as navigating complex and changing regulations, rising labour costs, and increasing competition for skilled workers. However, the company benefits from HIPA's support in overcoming these obstacles, enabling them to integrate smoothly into Hungary's business ecosystem.

Orion advises potential investors to conduct thorough market research, leverage local partnerships, and engage with governmental support to maximise the benefits of operating in Hungary. The company's experience underscores the importance of a supportive regulatory environment and strategic government assistance in fostering successful foreign investments.

Chervon Auto is a Chinese automotive components supplier that initially served European customers, primarily in Germany and the Czechia, from its base in China. To better meet stringent delivery times, fulfill quality expectations, and comply with environmental standards, the company decided to establish a manufacturing presence in Hungary. Starting with around 80 employees and aiming to expand to 300–400, the Hungarian plant supplies premium European car manufacturers with components more efficiently and sustainably.

Chervon Auto's decision to invest in Hungary stemmed from a strategic need to be closer to its European customers, reducing delivery times from six to eight weeks to just one day. The company considered several European countries—such as Germany, the Czechia, Poland, and Romania—but ultimately chose Hungary due to its well-developed infrastructure, favourable labour market, direct access to key markets, and the Hungarian government's robust investment incentives.

The planning process revealed some challenges, such as initially underestimating energy, material, and building costs. In Europe, regulations are strict and are taken seriously. Certifications are required, which ensures high quality but also comes with higher costs. On the other hand, the company discovered that understanding EU regulations and market conditions can lead to flexibility and cost savings. For example, the ability to tender for electricity and gas suppliers allowed Chervon Auto to renegotiate contracts and reduce operating expenses, while the use of green energy options helped meet the sustainability expectations of their European customers.

The presence of major automotive investors and a skilled workforce in regions like Miskolc was a significant advantage, although the company notes that multiple investors settling in the same area can lead to increased competition for labour, and raising wages. As a countermeasure, automation and careful site selection become critical.

From a long-term perspective, despite current economic uncertainties in Europe and evolving industry trends, Chervon Auto views its Hungarian operations as a strategic move. Locating production in Europe allows them to quickly respond to customer needs and quality issues, reduces inventory costs for European clients, and strengthens relationships with automakers who demand reliability, lower emissions, and close proximity. The European market's stable margins and regulatory clarity, compared to the tougher cost pressures sometimes faced in Asian markets, further justify Chervon Auto's commitment to its Hungarian investment.

Nissin is a Japanese instant noodle manufacturer known worldwide for its instant food products. Originally operating a plant in the Netherlands, the company relocated production to Hungary in 2004 to take advantage of lower operational and labour costs, as well as affordable, high-quality flour—its primary raw material.

Nissin's decision to move its European production from the Netherlands to Hungary was driven by cost savings and the availability of quality local resources. Hungary offered significantly lower labour and operating expenses, along with an excellent supply of locally sourced flour. However, the company now faces challenges related to EU-wide issues, such as energy price volatility, which poses a notable financial risk.

The Hungarian Investment Promotion Agency (HIPA) has provided valuable support, assisting Nissin with supplier negotiations and offering strategic investment advice. Despite increasing competition for skilled labour—particularly due to the nearby Mercedes plant—Hungary remains an advantageous production base. The country's cost efficiencies, stable raw material supply, and overall supportive environment continue to make it an attractive location for Nissin's operations.

Alps Alpine is a Japanese automotive components manufacturer known for supplying advanced electronic systems and modules to European carmakers. The company established its Hungarian presence in 1999 to bring production closer to key European customers.

When Alps Alpine decided to invest in Hungary, it was primarily influenced by the country's strategic location near major European automotive partners and its pending EU membership at the time. Hungary's developing infrastructure, skilled workforce, lower operating costs compared to Western Europe, and favourable tax policies (such as a low corporate tax rate) also contributed to the decision.

However, the company faces industry-specific challenges, including uncertainty in the automotive sector, increasing labour costs—driven in part by rising minimum wages—and volatile energy prices. Stricter and rapidly changing waste management regulations further add to the difficulties.

The company also highlighted the valuable support the Hungarian government provided through HIPA, which included offering incentives, helping identify local suppliers, and facilitating interactions with the relevant authorities.

Samsung SDI is a South Korean battery manufacturer and a global leader in energy storage solutions. The company is currently building its largest battery plant worldwide in Hungary, expanding its European presence and adding research and development capabilities to meet the rapidly growing demand from European automotive customers.

Samsung SDI's decision to establish its largest global battery plant in Hungary was influenced by several key factors. Geography played a crucial role, as major European automotive customers were already operating in Hungary or in neighbouring countries. Additionally, Samsung could repurpose its existing Hungarian TV tube factory, which closed in 2014, rather than starting from scratch. The Hungarian government's pro-investment stance was also pivotal, offering direct financial support, assistance with licensing, a favourable legal environment, and continuous, open dialogue. The promise of a stable political climate and tailored solutions further enhanced Hungary's appeal.

The tax policy and operational legislation are key regulatory considerations for Samsung SDI. While Hungary's labour costs are relatively low, energy costs account for a much larger portion of expenses in battery manufacturing. Consequently, a reliable and competitively priced energy supply is of paramount importance. Hungary's evolving energy mix, which includes nuclear and renewable sources, along with ongoing investments in the electricity network, positions the country favourably. However, improvements in rail infrastructure remain a critical need. Although competition for skilled labour is significant, Samsung is overall satisfied with the plant's location, which offers proximity to both the capital and some lower-wage regions.

Government support is a particularly important factor for Samsung. Hungary's supportive investment framework, exemplified by HIPA's well-trained professionals and strong advocacy capabilities, has been instrumental in facilitating Samsung SDI's integration into the local economy. The regulatory framework is especially vital for the battery industry, which was nonexistent in Hungary prior to 2016. Given that the sector is both new and rapidly expanding, the ongoing dialogue facilitated by HIPA regarding regulatory requirements and potential challenges is invaluable.

Ultimately, the combination of Hungary's strategic location, government-backed incentives, evolving infrastructure, and energy considerations solidifies its position as a reliable and long-term operating environment for Samsung SDI's ambitious European expansion.

Living in Hungary

Hungary, a picturesque country in the heart of Central Europe, offers a unique blend of rich cultural heritage, modern amenities, and a high quality of life at an affordable cost. For expatriates and investors, particularly those from Asia, Hungary provides a welcoming environment that balances tradition with innovation, and is one of the safest countries in Europe. From the bustling streets of Budapest to the serene charm of smaller cities like Debrecen, Hungary's diverse offerings make it a prime destination for living, working, and investing.

This section explores the key facets of life in Hungary, including housing, education, healthcare, entertainment, wellness, and media. It provides essential insights to help expatriates, especially Singaporean investors and their families, navigate and thrive in this vibrant country.

Public Safety: A Safe Haven in the Heart of Europe

Hungary boasts one of the safest environments in Europe, with crime rates significantly lower than many Western European countries. While bustling metropolises like Paris or London report tens of thousands of violent crimes annually, Budapest—a city of nearly 2 million people—maintains far lower incidences of such offenses.

Public safety in Hungary is underscored by the country's consistently low levels of violent crime, with petty theft being the most common issue tourists may encounter. Hungary's urban areas, including Budapest, are renowned for their well-lit streets and extensive, frequent, and accessible public transport systems. These factors enhance Hungary's reputation as not only a tourist-friendly destination but also a safe and orderly country at the heart of Europe.

Crime and Safety Index in Major European Cities

City	Crime Index	Safety Index
Paris	57.7	42.3
London	54.6	45.4
Berlin	44.6	55.4
Stockholm	46.2	53.8
Budapest	34.1	65.9

Source of Table: Numbeo

Housing: Diverse and Accessible Options

Hungary's real estate market caters to a variety of lifestyles and budgets. In Budapest, expatriates can choose from luxury apartments in the historic District V to tranquil family homes in the leafy Buda Hills. Rental prices can be lower than in Western European capitals, depending on location and amenities. In cities like Debrecen, housing is even more affordable, offering spacious homes and modern apartments ideal for families and professionals.

Suburban neighbourhoods like Nagyerdő in Debrecen provide a serene environment close to parks and schools, making them a popular choice for expatriate families. Whether seeking short-term furnished rentals or long-term accommodations, Hungary's housing market is well-equipped to meet diverse needs.

Education: International Standards with Local Integration

Hungary's education system offers robust options for expatriate families. International schools in Budapest, such as the British International School of Budapest (BISB) and the American International School of Budapest (AISB), provide world-class curricula like the International Baccalaureate (IB) and British and American systems. These institutions boast modern facilities, multicultural environments, and extracurricular programmes, ensuring a seamless transition for expatriate children.

Outside Budapest, the International School of Debrecen (ISD) delivers a similar standard of education, emphasising holistic development in a natural setting. For families with Chinese-speaking children, the Chinese School of Budapest integrates Chinese and Hungarian curricula, fostering bilingual proficiency and cultural exchange. Hungary's educational offerings combine academic excellence with cultural inclusivity, making it a top choice for expatriate families.

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Healthcare: Quality Services with Diverse Options

Hungary's dual healthcare system, comprising public and private sectors, ensures comprehensive medical care for residents. Private healthcare facilities in Budapest and Debrecen, such as FirstMed Centres and Rózsakert Medical Centre, provide high-quality services, shorter waiting times, and English-speaking staff. These clinics cater specifically to expatriates, offering a wide range of general and specialised medical treatments.

Traditional Chinese Medicine (TCM) has also gained traction in Hungary, with clinics like the Qihuang Traditional Chinese Medicine Centre and the Hungarian-Chinese Medicine Centre offering therapies such as acupuncture and herbal medicine. These facilities provide a blend of Eastern and Western medical practices, catering to the holistic healthcare preferences of Asian expatriates.

Entertainment and Wellness: A Cultural and Rejuvenating Experience

Hungary's entertainment and wellness scene is as diverse as its landscapes. The country's famed thermal baths, such as Széchenyi and Gellért, offer relaxation and therapeutic benefits, while its national parks, like Hortobágy and Bükk, provide scenic hiking trails and opportunities for outdoor activities. Cultural enthusiasts can explore world-class museums, including the Hungarian National Museum and the Museum of Fine Arts, or enjoy performances at the Hungarian State Opera House and the National Theatre.

Hungary's performing arts scene, vibrant festivals, and rich culinary offerings further enhance its appeal. With Michelin-starred restaurants like Onyx and high-quality Asian cuisine at establishments such as Wang Mester and Arirang, Hungary ensures a fulfilling lifestyle for expatriates.

Media: Staying Connected in a Global Environment

Hungary's media landscape includes foreign-language publications that keep expatriates informed and connected. English-language outlets like the Budapest Business Journal and The Budapest Times provide valuable insights into the country's political and economic spheres. German-language publications such as Budapester Zeitung cater to the German-speaking community, while Chinese-language newspapers like 新导报 and their associated WeChat groups ensure that the Chinese diaspora remains well-informed about local and international events.

A Welcoming Destination for Expatriates

Hungary offers a comprehensive package of affordable living, high-quality education, accessible healthcare, rich cultural experiences, and reliable media resources. For Asian expatriates, the availability of culturally familiar amenities, such as Chinese schools, TCM clinics, and Asian restaurants, ensures a comfortable transition to life in Hungary. Whether exploring Budapest's dynamic cityscape or enjoying the tranquillity of Debrecen, expatriates can find a harmonious balance of tradition and modernity in Hungary.

This chapter provides an in-depth guide to living in Hungary, equipping expatriates and investors with the knowledge they need to make informed decisions and thrive in this vibrant nation.

Housing, Education and Healthcare in Budapest and Debrecen

Housing in Budapest

Housing in Hungary is an integral aspect of expatriate life, offering a range of options to suit various needs, preferences, and budgets. From modern, luxury apartments in Budapest's city centre to spacious family homes in suburban districts and smaller cities, Hungary provides an attractive real estate market at a fraction of the cost compared to Western Europe. For Singaporean investors and their families, choosing the right location often depends on proximity to international schools, green spaces, and major business hubs. Understanding the dynamics of Budapest's neighbourhoods and the rental process is key to securing a comfortable and convenient home.

Budapest, the capital and the epicentre of expatriate activity is divided into 23 districts, each offering a distinct character and lifestyle. Rentals range from fully furnished apartments for short-term stays to large family homes ideal for long-term residents. Many expatriates are drawn to districts that combine accessibility, safety, and high-quality amenities.

Key Rental Areas for Expats	
DISTRICT II (RÓZSADOMB)	• Located on the Buda side, Rózsadomb, or "Rose Hill," is a prestigious neighbourhood known for its peaceful, green environment and stunning views of the Danube. • Popular among expatriate families due to its proximity to international schools, parks, and recreational facilities. • Housing options include villas with private gardens, modern townhouses, and spacious apartments.
DISTRICT V (BELVÁROS-LIPÓTVÁROS)	• Situated in the heart of Budapest, District V is known for its historic charm, luxury apartments, and proximity to iconic landmarks like the Parliament Building and St. Stephen's Basilica. • The area is highly sought after by professionals and diplomats due to its vibrant cultural scene, upscale dining options, and easy access to business centres. • Public transport is excellent, with multiple metro lines, trams, and buses connecting the district to other parts of the city.
DISTRICT XII (HEGYVIDÉK)	• Hegyvidék, or "Hillside," offers a suburban atmosphere with lush greenery and a serene environment, making it ideal for families seeking tranquility. • The district is home to upscale residential properties, many with large gardens, terraces, and panoramic city views. • Proximity to international schools like the American International School of Budapest (AISB) is a major draw.
DISTRICT XIII (ÚJLIPÓTVÁROS)	• Known for its vibrant atmosphere, District XIII offers a mix of modern apartments and refurbished historic buildings along the Danube. • The area is well-connected by public transport and has a growing expat community, making it a convenient choice for professionals and young families. • The district is also known for its cafes, restaurants, and proximity to Margaret Island, a popular recreational spot.

Considerations for Expats	
RENTAL CONTRACTS	• Most rental agreements are for a minimum term of one year, though shorter leases are negotiable for higher rents. Contracts are often in Hungarian, and it is recommended to have them translated or reviewed by a legal professional. • A typical lease requires a deposit equivalent to one or two months' rent, along with the first month's rent upfront.
REAL ESTATE AGENTS	• Engaging a reputable real estate agent can simplify the search process, especially for non-Hungarian speakers. Agents assist with negotiations, documentation, and navigating local laws, though their fees are typically equivalent to one month's rent.

Education in Budapest

Education is a top priority for expatriate families, and Hungary provides a robust selection of international schools, particularly in Budapest. These institutions cater to the needs of a diverse expat community, offering world-class curricula such as the International Baccalaureate (IB), British, American, French, German, and Chinese systems. International schools in Hungary are known for their academic excellence, state-of-the-art facilities, and emphasis on fostering global citizenship.

For Singaporean families, the availability of bilingual programmes and culturally inclusive curricula ensures a smooth transition for children. Many schools also offer extracurricular activities that support holistic development, from arts and sports to community service. This is the list of some of the bigger international schools in Budapest.

The British International School Budapest (BISB)

- Operated by Nord Anglia Education, BISB serves students aged 3–18, following the National Curriculum of England and the IB Diploma Programme.
- Facilities include science and technology labs, performing arts centres, and a swimming pool.
- The school's teaching philosophy emphasises individualised learning and global perspectives, attracting families from over 70 countries.

American International School of Budapest (AISB)

- AISB is Hungary's largest international school, with over 950 students from more than 60 countries.
- The school follows an American-style curriculum complemented by the IB Diploma, preparing students for top universities worldwide.
- Campus facilities include a library, theater, sports complex, and innovation lab.

Greater Grace International School (GGIS)

- A Christian-based institution offering American curricula with small class sizes for personalised education.
- The school integrates character-building programmes with academic development.

French Lycee (Lycée Gustave Eiffel)

- This school provides a French national curriculum, preparing students for the globally recognised French Baccalaureate.
- Focuses on multilingual education, offering instruction in French, English, and Hungarian.

Eötvös Loránd University (ELTE)

Founded in 1635, ELTE is Hungary's oldest and largest university, offering a broad range of academic programmes. It provides numerous English-language bachelor's, master's, and doctoral degrees, particularly in the humanities, sciences, and law. Known for its strong research output and international collaborations, ELTE attracts a diverse student population from around the world.

Budapest University of Technology and Economics (BME)

Established in 1782, BME is one of Hungary's most prestigious technical universities, specialising in engineering, technology, and applied sciences. It offers a wide range of English-language bachelor's, master's, and PhD programmes in fields such as engineering, natural sciences, and IT. Known for its cutting-edge research and partnerships with global tech firms, BME is a top choice for aspiring engineers.

Semmelweis University

Founded in 1769, Semmelweis is Hungary's leading institution for medical and health sciences education and research. It offers English-language programmes in medicine, dentistry, and pharmacy, attracting students from over 70 countries. Internationally accredited, the university has a strong focus on clinical practice and research in health sciences.

Corvinus University of Budapest

Specialising in economics, business, and social sciences, Corvinus is a top choice for aspiring business professionals. It provides English-language bachelor's and master's degrees, including International Business, Business Administration, and Political Science. Renowned for its global partnerships, Corvinus offers double-degree opportunities with prestigious universities worldwide.

Chinese School of Budapest

- **Overview**
  Founded in 2004, the school serves around 300 students, blending Chinese and Hungarian educational traditions to promote bilingual proficiency and cultural exchange.
- **Curriculum and Activities**
  Offers core subjects alongside language, cultural studies, and extracurriculars like calligraphy and traditional music.
- **Leadership**
  Led by Dr. László Salát, a prominent figure in Chinese-Hungarian relations, the school is recognised for fostering cross-cultural understanding.
- **Community Role**
  Hosts events like Lunar New Year celebrations and language competitions, engaging both the Chinese and Hungarian communities.

Japanese School of Budapest

- **Overview**
  Established in 1978, the school provides a Japanese Ministry of Education curriculum for elementary and middle school students, ensuring continuity for expatriate families.
- **Curriculum and Activities**
  Focuses on Japanese language, math, and cultural activities such as calligraphy and sports, fostering cultural identity.
- **Facilities**
  Located in District II, the school features modern classrooms, a library, and sports facilities.

Healthcare in Budapest

Hungary's healthcare system offers a blend of public and private services, with private healthcare becoming the preferred choice for expatriates. Private clinics and hospitals provide high-quality care, shorter waiting times, and English-speaking staff, ensuring a smooth medical experience for foreigners. For Singaporean investors and their families, accessing private healthcare ensures top-tier medical attention and convenience.

Traditional Chinese Medicine (TCM) has also seen growing popularity in Hungary, with clinics offering therapies such as acupuncture, herbal medicine, and massage therapy. This integration of holistic practices into Hungary's healthcare landscape caters to the increasing demand for alternative and complementary treatments.

Examples of Private Healthcare Providers and Traditional Chinese Medicine (TCM) centres:

Private Healthcare Providers

FirstMed Centre

- Located in central Budapest, FirstMed offers comprehensive medical services, including family medicine, pediatrics, gynaecology, and speciality care.
- Facilities are equipped with modern diagnostic tools, and all staff speak fluent English, catering primarily to expatriates.
- Appointment availability is flexible, with online booking options and emergency services.

Rózsakert Medical Centre

- Offers outpatient services across various specialities, including dermatology, cardiology, and orthopaedics.
- Known for its family-friendly approach, the clinic also provides vaccination services and wellness check-ups for children and adults.

Duna Medical Centre

Duna Medical Centre is one of Budapest's leading private healthcare providers, known for its comprehensive range of services, including specialised surgeries. The centre is equipped with state-of-the-art operating theatres and offers advanced procedures in orthopaedics, general surgery, urology, and gynaecology. Its multidisciplinary team and cutting-edge technology make it a top choice for both local and international patients seeking high-quality surgical care in Hungary.

Medicover Hospital

Medicover is a prominent private healthcare provider with a modern hospital in Budapest offering extensive surgical capacities. It specialises in minimally invasive and advanced procedures in areas such as general surgery, orthopaedics, ENT, and vascular surgery. With a focus on patient safety and comfort, Medicover Hospital combines experienced surgeons, modern operating theatres, and personalised care, catering to the needs of both expatriates and local residents.

Swiss Clinic

- Specialises in preventive healthcare and comprehensive diagnostics, with a patient-centric approach.
- Provides premium services, including executive health check-ups, tailored to expatriates and high net-worth individuals.

Traditional Chinese Medicine

Qihuang Traditional Chinese Medicine Centre

- Established in Budapest, this clinic offers acupuncture, herbal therapies, and cupping, combining ancient Chinese techniques with modern medical insights.
- Staffed by practitioners trained at top TCM universities in China, ensuring authentic treatments.

Hungarian-Chinese Medicine Centre

- One of Hungary's oldest TCM institutions, this centre has played a pivotal role in introducing TCM practices to the region.
- Services include pain management, stress relief, and treatments for chronic conditions, attracting a diverse patient base.

These expanded sections provide an exhaustive overview of housing, education, and healthcare options in Hungary, ensuring expatriates are well-prepared for their transition to life in the country.

Housing in Debrecen

Debrecen, Hungary's second-largest city, offers a harmonious blend of rich cultural heritage and modern amenities, making it an attractive destination for expatriates seeking a balanced lifestyle outside the capital. The city's affordable cost of living, reputable educational institutions, and accessible healthcare services contribute to its growing appeal among international residents.

Debrecen's real estate market is diverse, catering to various preferences and budgets. Whether you are seeking a contemporary apartment in the city centre or a tranquil suburban home, Debrecen provides options that combine comfort with affordability.

City Centre Apartments

- The heart of Debrecen features a mix of historic and modern apartments, placing residents close to cultural landmarks, restaurants, and shopping centres.
- Rental prices vary based on location, amenities, and furnishings. In popular areas like the city centre or the Great Forest, rental prices are higher.

Suburban Housing

- Neighbourhoods such as Nagyerdő offer a serene environment with proximity to parks and recreational facilities, ideal for families.
- Housing options include detached houses with gardens and spacious townhouses, providing a suburban feel within reach of urban conveniences.

Considerations for Expats

RENTAL AGREEMENTS

- Contracts are usually drafted in Hungarian; engaging a bilingual real estate agent or legal advisor is recommended to navigate the terms effectively.
- Security deposits typically amount to one or two months' rent, and it's crucial to clarify the inclusivity of utilities and maintenance fees.

Education in Debrecen

Debrecen is renowned for its educational institutions, offering quality learning environments for both local and international students. The city's commitment to education is evident in its diverse schooling options, catering to various curricula and linguistic needs.

International School of Debrecen (ISD)

- Established in 2019, ISD provides education from kindergarten through secondary school, following the International Baccalaureate (IB) framework.
- The school emphasises inquiry-based learning, aiming to develop compassionate, critical, and creative thinkers.
- Located in a natural setting, ISD offers state-of-the-art facilities that support innovative teaching methods.

Deutsche Schule Debrecen

- This German-language primary school caters to students in grades 1-4, with native German-speaking teachers.
- The curriculum aligns with German educational standards, fostering bilingual proficiency and cultural awareness.

University of Debrecen

- One of Hungary's oldest and most prestigious universities, it offers a wide range of programmes, including English-taught courses attracting international students.
- The university contributes to the city's vibrant academic atmosphere and provides various cultural and recreational activities.

Considerations for Expat Families	
LANGUAGE SUPPORT	• International schools like ISD offer English as an Additional Language (EAL) programmes to support non-native speakers. • Engaging in local language courses can enhance integration and daily interactions.
EXTRACURRICULAR ACTIVITIES	• Schools provide various extracurricular programmes, including sports, arts, and community service, promoting holistic development.

Healthcare in Debrecen

Debrecen's healthcare infrastructure combines public and private services, ensuring comprehensive medical care for residents. The city's medical facilities are equipped to meet diverse health needs, with an emphasis on accessibility and quality.

University of Debrecen Clinical Centre

- As a leading medical institution, it offers a wide range of healthcare services, including specialised treatments and emergency care.
- The centre is involved in medical research and education, contributing to high standards of patient care.

Medilum Health Centre

- Provides laboratory tests, doctor's appointments, and laser treatments, catering to various medical needs.
- Offers free parking and online appointment scheduling for patient convenience.

Debrecen's commitment to providing quality housing, education, and healthcare services makes it a favorable destination for expatriates seeking a balanced and enriching living experience in Hungary.

The Food Scene in Hungary

Hungary's culinary landscape is a rich tapestry of traditional flavours, global influences, and innovative gastronomic experiences. For expats, particularly from Asia, the country's diverse food scene offers both the comfort of home and the thrill of new tastes. Budapest, the culinary heart of Hungary, is renowned for its Michelin-starred restaurants, vibrant street food culture, and high-quality international dining options, including Chinese, Korean, and Japanese establishments. Whether indulging in a bowl of authentic goulash or savouring delicate sushi, Hungary caters to a wide array of tastes and preferences.

Photo credit: Zsidai Gasztronómiai Csoport/ index.hu

Hungarian Cuisine

Hungarian cuisine is deeply rooted in tradition, characterised by bold flavors, hearty ingredients, and the ubiquitous use of paprika. These dishes often reflect the country's agricultural bounty and historical influences.

Key Dishes

Gulyás (Goulash) A flavourful soup made with beef, potatoes, carrots, and paprika, often considered Hungary's national dish.	**Pörkölt (Hungarian Stew)** A rich meat stew prepared with onions, garlic, and paprika, commonly served with dumplings or noodles.
Lángos (Hungarian fried flat-bread) Deep-fried dough topped with sour cream, cheese, or garlic butter, popular as a street food delicacy.	**Kürtőskalács (Chimney Cake)** A sweet pastry rolled in sugar and cinnamon, often sold at markets and festivals.

Cultural Significance

Traditional Hungarian dishes are often enjoyed during holidays, family gatherings, and festivals, reflecting the country's hospitality and communal spirit.

Where to Try

- **Hungarikum Bisztró:** Offers authentic Hungarian dishes with a modern twist.
- **Rosenstein Restaurant:** A family-run establishment known for its warm atmosphere and classic Hungarian flavors.

Michelin-Starred Restaurants

Budapest has established itself as a gastronomic destination, with a growing number of Michelin-starred restaurants showcasing innovative takes on Hungarian and international cuisines.

BORKONYHA (WINE KITCHEN)

- Combines Michelin-starred cuisine with an extensive selection of Hungarian wines.
- Menu focuses on seasonal ingredients and bold flavors.

COSTES

- The first restaurant in Hungary to receive a Michelin star, featuring a fusion of Hungarian and international dishes.
- Renowned for its sophisticated atmosphere and meticulously curated wine list.

ONYX

- Hungary's first two-Michelin-starred restaurant, known for its contemporary reinterpretation of Hungarian classics.
- Offers tasting menus that celebrate local ingredients and culinary traditions.

SALT

- Known for its innovative use of fermentation and locally sourced ingredients.
- A modern dining experience that bridges tradition and creativity.

International Cuisines

Budapest's cosmopolitan food scene features a variety of high-quality international dining options, catering to diverse tastes and preferences.

CHINESE CUISINE	
WANG MESTER KÍNAI KONYHÁJA (MASTER WANG'S KITCHEN)	• Offers authentic Chinese dishes, including handmade dumplings and spicy Sichuan cuisine. • Popular among the local Chinese community and expats.
YUM CHA	• Known for its exquisite dim sum and Peking duck.
JAPANESE CUISINE	
NOBU BUDAPEST	• A world-renowned Japanese fusion restaurant, part of the Nobu chain, offering sushi and innovative Japanese dishes.
FUJI	• Established in 1991, renowned for its authentic cuisine, fresh sushi, and traditional kaiseki-style dishes.
KOREAN CUISINE	
ARIRANG KOREAN RESTAURANT	• Offers a wide range of traditional Korean dishes, including bibimbap, bulgogi, and kimchi stew. • Known for its friendly service and authentic flavors.
HAN KUK GWAN	• A favorite for Korean BBQ and traditional soups.

Hungary offers a growing number of restaurants and speciality stores catering to Chinese, Japanese, Korean, and other Asian cuisines. The availability of authentic dishes and ingredients ensures that expats can enjoy the comfort of familiar flavours while exploring Hungary's rich culinary heritage.

Hungary's Wine Regions: A Heritage of Excellence

With a winemaking tradition spanning over a thousand years, Hungary is home to 22 diverse wine regions, each contributing to the country's rich viticultural legacy.

In North-East Hungary, Tokaj stands as the country's most iconic wine region and is recognised as a UNESCO World Heritage Site. Tokaj is famed for the legendary Tokaji Aszú, a sweet wine made from botrytised grapes (noble rot), as well as varieties like Furmint and Hárslevelű. Often referred to as the "King of Wines, Wine of Kings," Tokaji remains a hallmark of Hungary's global winemaking prestige.

In South-West Hungary, Villány is renowned for its robust, full-bodied red wines. The region thrives on key grape varieties such as Cabernet Franc (marketed as "Villányi Franc"), Merlot, and the indigenous Kékfrankos. With its Mediterranean-like climate, Villány is ideal for producing bold and structured wines, cementing its status as Hungary's premier red wine hub.

While Tokaj and Villány are the most celebrated, other notable wine regions also showcase Hungary's unique terroirs and diversity. Regions like Sopron, Eger, Balaton (including Badacsony), and Szekszárd feature distinctive microclimates, indigenous grape varieties, and centuries-old traditions. They represent a blend of innovation, natural diversity, and cultural heritage, solidifying Hungary's reputation as a distinguished player in global viticulture.

Entertainment and Wellness

Hungary offers a rich tapestry of entertainment and wellness opportunities, seamlessly blending its historical heritage with modern amenities. For Asian expatriates, the country's diverse cultural scene, rejuvenating thermal baths, and vibrant arts provide a welcoming environment that caters to various interests and promotes well-being.

Thermal Baths and Wellness

Hungary is renowned for its abundant thermal springs, with Budapest famously dubbed the "City of Spas." These thermal baths are integral to Hungarian culture, offering relaxation and therapeutic benefits.

SZÉCHENYI THERMAL BATH

- Located in Budapest's City Park, Széchenyi is one of Europe's largest bath complexes, featuring 15 indoor baths and three grand outdoor pools. Its Neo-Baroque architecture adds to the allure, making it a popular destination for both locals and tourists.
- The thermal waters, rich in minerals, are reputed to alleviate conditions such as arthritis and joint issues.
- The bath is open year-round, providing a unique experience of soaking in warm waters amidst winter's chill.

GELLÉRT THERMAL BATH

- Situated within the Gellért Hotel, this Art Nouveau masterpiece boasts intricate mosaics, stained glass windows, and majestic columns.
- Gellért offers various pools, including thermal, wave, and plunge pools, alongside spa services like massages and mud treatments.
- The bath's ambiance provides a serene retreat from urban bustle.

RUDAS THERMAL BATH

- Dating back to the 16th century Ottoman era, Rudas retains its Turkish bath heritage with a central octagonal pool beneath a domed ceiling.
- It features thermal pools of varying temperatures, a rooftop pool with panoramic city views, and wellness services.
- Rudas offers specific men-only, women-only, and co-ed days, so it's advisable to check the schedule in advance.

Beyond Budapest, towns like Hévíz, Hajdúszoboszló, and Sárvár are celebrated for their thermal lakes and spa complexes, offering holistic wellness experiences.

Museums and Exhibitions

Hungary's rich history and artistic heritage are showcased in its numerous museums and galleries, offering insights into its cultural evolution.

HUNGARIAN NATIONAL MUSEUM

- Established in 1802, it chronicles Hungary's history from prehistoric times to the present, housing artifacts, manuscripts, and artworks.
- The museum's neoclassical building itself is a historical landmark.

MUSEUM OF FINE ARTS

- Located in Budapest's Heroes' Square, it features an extensive collection of European art, including works by El Greco, Goya, and Raphael.
- The museum regularly hosts temporary exhibitions, bringing international masterpieces to Hungarian audiences.

LUDWIG MUSEUM

- Dedicated to contemporary art, it showcases Hungarian and international artists, fostering a dialogue between diverse artistic expressions.
- The museum's location in the Palace of Arts provides a modern setting for its avant-garde exhibitions.

These institutions often offer multilingual guides and materials, enhancing accessibility for international visitors.

Nature Trails and National Parks

Hungary's varied landscapes provide ample opportunities for nature enthusiasts to explore its national parks, hiking trails, and natural reserves.

HORTOBÁGY NATIONAL PARK

- As Hungary's largest protected area, it preserves the traditional pastoral life of the Great Hungarian Plain, featuring vast grasslands and unique wildlife.
- The park is a UNESCO World Heritage site, recognised for its cultural significance and biodiversity.

BÜKK NATIONAL PARK

- Located in the Northern Mountains, it offers dense forests, limestone caves, and rich flora and fauna, making it ideal for hiking and spelunking.
- The park's diverse ecosystems support various outdoor activities, from bird watching to mountain biking.

BALATON UPLANDS NATIONAL PARK

- Encompassing the northern shore of Lake Balaton, it features rolling hills, vineyards, and geological formations like the basalt columns of the Káli Basin.
- The park's scenic beauty and cultural heritage make it a popular destination for nature lovers and photographers.

These parks offer well-marked trails and visitor centres, providing information on local ecology and conservation efforts.

Theatre and Dance

Hungary's performing arts scene is vibrant, with numerous theaters, opera houses, and dance ensembles offering a rich array of performances.

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HUNGARIAN STATE OPERA HOUSE

- An architectural gem in Budapest, it stages operas, ballets, and concerts, featuring both classical and contemporary works.
- The opera house is renowned for its exceptional acoustics and opulent interior, enhancing the audience's experience.

NATIONAL THEATRE

- Showcases Hungarian and international plays, emphasising both traditional and modern theatrical expressions.
- The theater's diverse repertoire appeals to a wide audience, reflecting Hungary's dynamic cultural landscape.

BUDAPESTI FESZTIVÁLZENEKAR

One of Hungary's most internationally acclaimed orchestras, performing at prestigious venues such as Carnegie Hall in New York, the Royal Albert Hall in London, and the Concertgebouw in Amsterdam.

A cultural cornerstone of Budapest, the orchestra enriches the city's vibrant music scene with regular performances at Müpa Budapest and the Liszt Academy, while also engaging the local community through innovative outreach and educational programmes.

Many performances offer English subtitles or are non-verbal, making them accessible to non-Hungarian speakers.

Chinese-Hungarian Cultural Association

The Chinese-Hungarian Cultural Association plays a pivotal role in fostering cultural exchange between the two nations, organising events that celebrate and integrate Chinese culture within Hungary.

Recent Activities and Achievements

- In May 2024, a cultural exchange event in Budapest honored distinguished sinologists for their contributions to Sino-Hungarian understanding, highlighting 75 years of diplomatic relations.
- The association has been instrumental in establishing educational institutions, such as the Hungarian-Chinese Bilingual School in Budapest, which immerses students in traditional Chinese culture through activities like calligraphy and tea ceremonies.
- Collaborations with Hungarian cultural entities have led to events like the Chinese Culture Night in Budapest, featuring performances and exhibitions that showcase Chinese art and traditions.

Hungary's Foreign Language Media Landscape

Hungary's media landscape is enriched by several foreign-language publications catering to its diverse expatriate communities, providing valuable insights into the nation's political, economic, and cultural spheres. In addition, Hungary's public broadcasting service, Duna Média, offers daily foreign language news summaries on its M1 channel, including English, German, Russian, and Chinese, to cater to international audiences.

English-Language Publications

Budapest Business Journal (BBJ)

- **Overview:** Established in 1992, BBJ is Hungary's leading biweekly business publication, delivering comprehensive coverage of the country's economic and financial sectors. It serves as a vital resource for professionals, offering analyses, market reports, and updates on legislative changes impacting businesses.
- **Format and Circulation:** BBJ is available in print and online formats. Its print edition has a circulation of approximately 10,000 copies per issue, targeting decision-makers and industry leaders.
- **Audience:** Primarily read by English-speaking business professionals, investors, and expatriates looking for actionable insights into Hungary's business landscape.

Central European Times (CET)

- **Overview:** The Central European Times is an online news portal focused on business, politics, and social developments across Central Europe, particularly Hungary, Poland, the Czechia, and Slovakia. It provides concise and analytical insights tailored to international audiences.
- **Format and Circulation:** CET is fully digital, ensuring global accessibility to its content. While specific readership numbers are not disclosed, the portal appeals to professionals and decision-makers interested in Central European trends.
- **Audience:** Geared toward investors, policymakers, and expatriates seeking in-depth coverage of the region's economic and political landscape.

The Budapest Times

- **Overview:** Launched in 2003, The Budapest Times is a weekly newspaper providing news and features on Hungarian politics, business, culture, and international affairs. It offers a balanced perspective on current events, catering to expatriates and English-speaking Hungarians.
- **Format and Circulation:** Available in both print and online formats, the publication's circulation numbers are not publicly disclosed but it has a steady readership within the expatriate and diplomatic communities.
- **Audience:** Geared toward expatriates, diplomats, and English-speaking locals seeking reliable and in-depth coverage of Hungarian and international developments.

German-Language Publications

Budapester Zeitung

- **Overview:** Established in April 1999, Budapester Zeitung is a privately owned German-language weekly newspaper. It covers politics, the economy, culture, and local events, aiming primarily at German-speaking businessmen and diplomats living in Hungary.
- **Format and Circulation:** The publication transitioned to a magazine format in early 2014 and has a circulation of about 7,000 copies.
- **Audience:** Targets German-speaking expatriates, business professionals, and diplomats seeking comprehensive news and analyses.

Chinese-Language Publications

华人报 (Huárén Bào)

- **Overview:** Serving the Chinese community in Hungary, this publication offers news, cultural stories, and community updates relevant to Chinese residents. It fosters connections within the Chinese diaspora and provides information pertinent to their interests.
- **Format and Circulation:** Available in both print and online formats. Specific circulation numbers are not publicly disclosed.
- **Audience:** Caters to Chinese expatriates, students, and business professionals residing in Hungary.

新导报 (Xīn Dǎobào)

- **Overview:** This weekly publication provides news on Hungary-China relations, business opportunities, and cultural events, aiming to bridge the information gap for Chinese speakers in Hungary.
- **Format and Circulation:** Distributed in print and accessible online. Circulation figures are not publicly available.
- **Audience:** Focuses on the Chinese-speaking community, including expatriates and international students.

Religion

Hungary's religious landscape is predominantly Christian, with a significant portion of the population adhering to various denominations. According to the 2022 national census, 42.5% of Hungarians identified as Christians, with 29.2% being Catholics (27.5% Roman Rite and 1.7% Greek Rite), 9.8% affiliated with the Reformed Church (Calvinists), 1.8% with Lutheranism, 0.2% Eastern Orthodox, and 1.5% belonging to other Christian denominations. Additionally, 16.1% of the population declared themselves explicitly irreligious, 1.3% identified with other religions—including Judaism, Buddhism, and Islam—and 40.1% did not declare any religious affiliation. Buddhism has been present in Hungary since the early 20th century, with various schools and traditions establishing a presence. Several Buddhist temples and centres cater to both local practitioners and expatriates. It is important to highlight that Hungary experiences no religious violence or tensions and has no significant religious minority of foreign origin or descent.

In terms of religious practice, Hungary exhibits relatively low levels of active participation. A 2017 Pew Research survey indicated that only 17% of Hungarians attend worship services monthly, 14% consider religion very important in their lives, and 16% engage in daily prayer.

Hungary is home to numerous historic churches and religious sites, reflecting its rich spiritual heritage. Notable examples include:

ST. STEPHEN'S BASILICA (SZENT ISTVÁN BAZILIKA)

Located in Budapest, this
Roman Catholic basilica is one of the country's largest churches and a prominent landmark.

ESZTERGOM BASILICA (ESZTERGOMI BAZILIKA)

Situated in Esztergom, it
is the largest church in Hungary and serves as the seat of the Catholic Church in the country.

GREAT REFORMED CHURCH OF DEBRECEN (DEBRECENI REFORMÁTUS NAGYTEMPLOM)

The largest Protestant
church in Hungary, located in Debrecen, often referred to as the "Calvinist Rome."

DOHÁNY STREET SYNAGOGUE (DOHÁNY UTCAI ZSINAGÓGA)

Located in Budapest,
holds the distinction of being the largest synagogue in Europe and one of the largest active synagogues worldwide. It is a centre for Jewish worship and culture.

These institutions not only serve as places of worship but also as cultural and historical landmarks, attracting numerous visitors and reflecting Hungary's diverse religious heritage.

For expatriates and non-Hungarian speakers, several churches in Hungary offer services in foreign languages, particularly English, Chinese, and Korean:

English-Language Services

St. Stephen's Basilica
(Szent István Bazilika)

- Offers English-language Masses on Mondays, Wednesdays, Fridays, and Sundays in Mary's Chapel.

Franciscan Church in Pasarét and Parish of the Holy Family in Zugliget

- Occasionally organise English-speaking Masses.

Budapest-Kálvin Square Reformed Church

- Provides Protestant services in English, including programmes for children and preteens that incorporate music into religious practices

International Baptist Church of Budapest (IBCB)

- Established in 1991 to serve the English-speaking community, IBCB conducts services in English, welcoming attendees from over 30 nations.

Danube International Church

- An English-speaking congregation in Budapest comprising members from various nations and denominations, offering services every Sunday.

Riverside Church Budapest

- An international, English-speaking church with attendees from more than 60 countries, holding services on Sundays at 9:30 and 11:00 AM.

Saint Margaret's Anglican Episcopal Church Budapest

- Offers services in English every Sunday morning at 10:30, following the Church of England's prayer book.

Korean-Language Services

Korean-Speaking
Reformed Congregation in Budapest

- Established in 2012 under the supervision of the Presbyterian Church in Korea (PCK), this congregation serves the Korean expatriate community, offering services in Korean and engaging in various ministries, including Roma outreach. The congregation is led by Rev. Jeong Chae Hwa, who has been serving in Hungary since 2003.

Korean-Speaking Reformed Congregation in Budapest

- Located at 1117 Budapest, Magyar tudósok krt. 3., this church conducts services in Korean, catering to the spiritual needs of the Korean community in Hungary. Services are held at 11:00 AM.

Buddhist Temples and Centres

Buddhism has been
present in Hungary since the early 20th century, with various schools and traditions establishing a presence. Several Buddhist temples and centres cater to both local practitioners and expatriates

Hungarian Shaolin Templest

- Situated in Budapest, this temple was founded in 1994 and follows the Chan (Zen) Buddhist tradition. It offers martial arts training, meditation sessions, and cultural programmes, aiming to integrate physical and spiritual practices.

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