

## Abstracts of the Articles

### **Inquiry on the prospects of economic growth**

There is a discrepancy between the expectations of growth for 2013 and the following years, as set down in the budget, and as estimated by numerous experts. In our inquiry, we asked our contributors to assess the factors that could indicate growth or recession. Let us highlight just a few (though far from all) of the wide range of questions that could be tackled in the responses.

1. What are those factors (either stimulating or hindering growth) that relate to the most recent changes of the tax system that at the same time determine future investments?

2. What impact do the developments on the world market have on national growth?

3. What are the consequences of the expansion of state involvement (i.e the effects of the centralisation of healthcare and public education that formerly belonged to the local governments)?

4. What are the effects of the regulations that determine the functioning of certain sectors (such as the energy sector and the services, in particular, the financial and the telecommunication sectors)?

5. How do the unpredictable changes of regulations pertaining to economic actors affect growth?

### **Subsidiary upgrading within MNC-led global value chains – Hungarian cases**

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This paper investigates the functional upgrading performance of 12 Hungarian subsidiaries in the automotive and electronics industries, within the value chains coordinated by their MNC-owners. We show that in line with gross fixed capital formation and the expansion of output, the number of supporting functions also increases, quasi automatically, at the surveyed subsidiaries. We describe

the practical manifestation of functional deepening, i.e. the process in which the complexity and the knowledge-intensity of selected functions related activities increase at the subsidiaries, and analyze the relation between functional deepening and the decomposability of business functions. Drawing on the examples of the procurement, the finances and the R&D functions of the surveyed subsidiaries, we illustrate the decomposability of business functions, i.e. the fact, that just like products, individual functions can be decomposed into sub-functions that widely differ in their knowledge-intensities and value adding capabilities. Investigating the effects of upgrading on subsidiary performance we find that the primary impact of upgrading is not the improvement of subsidiary-level hard performance indicators. It is rather the way mother companies esteem their subsidiary that improves, which allows for an increased subsidiary ‘voice’. Local decision-making autonomy varies, depending not only on the specifics of the business function, but there is also significant intra-function variability of local autonomy. Some activities, within the same function can be (regionally or globally) centralized, while others decentralized and substantial local autonomy granted. Subsidiary independence is influenced also by mother company’s size or varies with respect to mother company’s nationality.

**Internationalization of Hungarian micro, small and medium enterprises  
and the barriers to international business activity**

**Evidence from a corporate survey**

ÁLMOS MIKESY

The micro, small and medium enterprises involved in international business activities are more profitable and contribute to the employment growth more significantly than firms which are selling their products only domestically. The presence on the foreign market can also provide protection against the continued low domestic demand. While the deepening internationalization of micro, small and medium enterprises may reduce the external dependence of the Hungarian economy caused by its concentrated export sector, it may also increase labour market activity. Enterprises encounter numerous internal and external barriers before and during internationalization. The economic policy measures have to be focused on removing the latter ones, thus in the case of the Hungarian SMEs: providing relevant information, reducing ‘psychic distance’ and developing a financial environment which supports export and foreign business activities.