GAZDASÁGI SZAKNYELV II.

2011/2012-es tanév 2. félév
LGB_IT 030_2, tantárgykód

- Kötelező irodalom:
  o az oktató által összeállított on-line tansegédlet

- A kurzus célja: az Oeconom gazdasági szaknyelvi vizsga szóbeli témaköreinek továbbfolytatása, sajtócikkek összefoglalása

- Értékelés: beadandó feladat és szóbeli vizsga, ötjegyű skála

- Tananyag:
  1. Adózás: a főbb adófajták nevei, a magyar adózás rövid ismertetése
  2. Befektetési lehetőségek: a tőzsdével kapcsolatos kifejezések
  3. Nemzetközi kereskedelem: érvek a szabad kereskedelem mellett és ellen
  4. Globalizáció: fogalmak
  5. EU: Az EU működésével kapcsolatos gazdasági kérdések, a bővítés előnyei és hátrányai
  6. A magyar gazdaság aktuális kérdései
  7. Gazdaság és társadalom
  8. A gazdasági témájú beszámolókhoz, sajtócikkekhez használatos nyelvi kifejezőeszközök

- Kötelező beadandó a szorgalmi időszak végéig a tananyag végén található alábbi cikkek angol nyelvű összefoglalása:
  o Europe Threatens to Suspend Subsidies to Hungary
  o Hungarian Students Decry State Sponsorship Cuts and Other Changes
  o Ageing population

- A szóbeli vizsga kérdései:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>What is the purpose of taxation?</td>
</tr>
<tr>
<td>2.</td>
<td>What taxes does an individual have to pay in Hungary?</td>
</tr>
<tr>
<td>3.</td>
<td>How can the government fight against the black economy?</td>
</tr>
<tr>
<td>4.</td>
<td>What are the most common banking services?</td>
</tr>
<tr>
<td>5.</td>
<td>What ways are there to invest your money?</td>
</tr>
<tr>
<td>6.</td>
<td>What is the role of the Stock Exchange on the financial market?</td>
</tr>
<tr>
<td>7.</td>
<td>What are the functions of the central bank?</td>
</tr>
<tr>
<td>8.</td>
<td>Why is it necessary for governments to take protectionist measures?</td>
</tr>
<tr>
<td>9.</td>
<td>Characterise the EU as a trading bloc!</td>
</tr>
<tr>
<td>10.</td>
<td>How does globalization affect international trade?</td>
</tr>
<tr>
<td>11.</td>
<td>How has life changed in Hungary since it became an EU member?</td>
</tr>
<tr>
<td>12.</td>
<td>What are the consequences of the ageing population?</td>
</tr>
<tr>
<td>13.</td>
<td>Could you mention some of the measures which have been introduced by the government recently to decrease the budget deficit?</td>
</tr>
</tbody>
</table>
TAXATION

WARM-UP
- What taxes do you know?
- What taxes have to be paid by individuals?
- Do you think that companies have to pay more taxes?
- What is the purpose of taxation?
- Is there any connection between tax rates and investments?

READING
Before reading the text about taxation in Hungary study the following words.

<table>
<thead>
<tr>
<th>tax authority</th>
<th>personal income tax</th>
<th>value added tax</th>
<th>self-assessment system</th>
</tr>
</thead>
<tbody>
<tr>
<td>tax return</td>
<td>to audit</td>
<td>tax incentive</td>
<td>development tax allowance</td>
</tr>
</tbody>
</table>

Match the words from the box with their definitions.
- to examine records or financial accounts to check their accuracy
- a reduced tax rate or exemption that a government provides as an inducement to foreign direct investment
- an official institution responsible for collecting taxes
- tax levied on goods and services
- an official document filed by taxpayers declaring their liability for taxation
- a system according to which the taxpayers themselves are responsible for their tax affairs
- tax imposed on individuals’ incomes
- a kind of incentive by the government which is granted in case of development projects

Form compounds using the word tax. E.g.: tax authority

Read the following text
Personal income tax and VAT were introduced into the Hungarian tax system in 1988. This was a first step in a long process of tax reform. The next major step, undertaken in 1991, was the modernization of the corporate income tax system. In 1993, the VAT legislation was further modified to conform, at least in principle, to the VAT systems used in the European Union. With Hungary’s accession into the European Union, several changes have been implemented in the Hungarian tax legislation during the past few years to comply with the EU tax directives.
Currently, the following significant taxes and levies are imposed in Hungary:

<table>
<thead>
<tr>
<th>Corporate Tax</th>
<th>Contribution to the Cultural Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solidity Surtax for Companies</td>
<td>Innovation Contribution</td>
</tr>
<tr>
<td>Value Added Tax (VAT)</td>
<td>Customs Duties</td>
</tr>
<tr>
<td>Personal Income Tax (PIT)</td>
<td>Excise Duties</td>
</tr>
<tr>
<td>Social Security Contributions</td>
<td>Property Transfer Tax</td>
</tr>
<tr>
<td>Contribution to the Rehabilitation Fund</td>
<td>Death, Gift and Inheritance Taxes</td>
</tr>
<tr>
<td>Contribution to the Vocational Training Fund</td>
<td>Environmental Protection Charge</td>
</tr>
<tr>
<td>Energy Tax</td>
<td>Environmental Pollution Charge</td>
</tr>
<tr>
<td>Luxury Tax</td>
<td>Local Taxes</td>
</tr>
<tr>
<td>Company Car Tax</td>
<td>Registration Tax</td>
</tr>
<tr>
<td>Bank Tax</td>
<td></td>
</tr>
</tbody>
</table>
The Hungarian taxation system has developed in recent years is now close to the level of complexity found in Western Europe. Tax laws in Hungary are enacted by Parliament. The Tax Authority provides only interpretative and administrative guidelines for these laws.

Hungarian taxation operates under a self-assessment system. Taxpayers are required to register, determine their tax obligation, make advance payments, file tax returns on their own behalf, make corrections to the tax returns as needed, keep records and supply information as required by law. Corporations are subject to continuous assessment throughout the year. The authorities randomly examine tax returns to enforce the self-assessment system. The Head of the Tax Authority (APEH) determines the target areas to be audited in each tax year.


Build verb + noun word combinations with the help of the text. E.g.: to file a tax return

<table>
<thead>
<tr>
<th>to impose</th>
<th>a step</th>
</tr>
</thead>
<tbody>
<tr>
<td>to implement</td>
<td>tax laws</td>
</tr>
<tr>
<td>to modify</td>
<td>guidelines</td>
</tr>
<tr>
<td>to enact</td>
<td>taxes</td>
</tr>
<tr>
<td>to supply</td>
<td>tax obligation</td>
</tr>
<tr>
<td>to undertake</td>
<td>VAT legislation</td>
</tr>
<tr>
<td>to audit</td>
<td>changes</td>
</tr>
<tr>
<td>to enforce</td>
<td>tax allowance</td>
</tr>
<tr>
<td>to provide</td>
<td>information</td>
</tr>
<tr>
<td>to determine</td>
<td>the target areas</td>
</tr>
<tr>
<td>to claim</td>
<td>jobs</td>
</tr>
<tr>
<td>to create</td>
<td>self-assessment</td>
</tr>
</tbody>
</table>

**BANKING**

Study the basic vocabulary.

| 1. balance | n. the difference between credits and debits in an account |
| 2. bank charges | n. money paid to a bank for the bank's services etc |
| 3. branch | n. local office or bureau of a bank |
| 4. checkbook<sup>US</sup> | n. book containing detachable checks; chequebook<sup>UK</sup> |
| 5. check<sup>US</sup> | n. written order to a bank to pay the stated sum from one's account; cheque<sup>UK</sup> |
| 6. credit | n. money in a bank a/c; sum added to a bank a/c; money lent by a bank - also v. |
| 7. credit card | n. (plastic) card from a bank authorising the purchasing of goods on credit |
| 8. current account | n. bank a/c from which money may be drawn at any time; checking account<sup>US</sup> |
| 9. debit | n. a sum deducted from a bank account, as for a cheque - also v. |
| 10. deposit account | n. bank a/c on which interest is paid; savings account<sup>US</sup> |
Terminology:
- **Central bank**: monetary policy, government’s banker, bankers’ bank, lender of last resort, issues coins and banknotes
- **Commercial bank in Hungary**: a universal bank with a wide range of products and services both for private customers and small businesses, corporate customers and municipalities, a "financial department store"
- **Commercial bank in the UK**: retail bank, high-street bank with services for the public
- **Merchant bank (UK) investment bank (US)**: issues and underwrites securities

Match the verbs and nouns concerning banking.

| 1. transfer                      | a. a statement                      |
| 2. receive                      | b. an order                         |
| 3. submit                       | c. money                            |
| 4. pay                          | d. an account                       |
| 5. open                         | e. the balance                       |
| 6. check                        | f. interest rate                     |

Choose the right word from the list to complete each sentence.

<table>
<thead>
<tr>
<th>overdraft</th>
<th>facility</th>
<th>loans</th>
<th>bonds</th>
<th>standing order</th>
<th>pension</th>
</tr>
</thead>
</table>

a. We offer ________________ for buying cars and homes.
b. To help a customer cover expenses without any worries, we recommend a/an ________.
c. We can manage investments such as shares, real estate and _____________.
d. For retirement planning we have got excellent ____________ accounts available.
e. A customer can arrange a/an _________ to have transfers made on a set timetable.
The main functions of commercial banks:
- to collect deposits
- to create loans
- to transfer money

Services for clients:
1. to open an account – account holder
2. to deposit money – depositor
   - current account (demand deposit, sight deposit, transactional account), to have access to funds on demand
     - to pay outgoings (debits)
     - to get incomes (credits)
     - to overdraw → to pay an overdraft charge
     - to receive a bankcard: debit card vs. credit card
       - used for purchases, cash withdrawals, recharging mobile phones, balance inquiry, short-term lending
     - to get a bank statement: information about your balance
     - to give a standing order
   - deposit account (time/term deposit): to have access to funds only after the maturity date, otherwise no interest is paid
3. to apply for loans (personal loans and mortgages)
4. to use investment banking services (investment funds and securities)
5. to ask for asset management
6. to exchange foreign currency
7. to use leasing and factoring services

Situations
1. A group of students majoring in IT would like to open an Internet café. How can they raise finance for the business?
   a. Consider the advantages and disadvantages of the following options.

<table>
<thead>
<tr>
<th></th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Venture capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Going into partnership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A loan from a family or friend</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   b. On what conditions can they be granted a loan?
      ➢ Character: reliable, to pay promptly, to check bankruptcy
      ➢ Capital: initial and working
      ➢ Collateral or guarantee, security: an asset in turn for the loan
      ➢ Capacity: the amount of the instalment per month
      ➢ Conditions: viability of the business
   c. What do you think would be the strengths of such a business?
2. A young couple would like to buy some durables for their household. How can they raise money? What loan schemes would you offer them?

<table>
<thead>
<tr>
<th>Loan Scheme</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>personal loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>hire purchase (HP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>overdraft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>credit card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>store card</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**INVESTMENTS: Stock Exchange**

*Bears lose money, bulls make money, and pigs get slaughtered.*

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bid</td>
<td>The price a buyer is willing to offer for shares in a company.</td>
</tr>
<tr>
<td>Blue Chip Stocks</td>
<td>Stocks of leading companies with a reputation for stable growth and earnings.</td>
</tr>
<tr>
<td>Bond</td>
<td>Certificate issued by companies and governments to its lenders.</td>
</tr>
<tr>
<td>Capital</td>
<td>Money and other property of companies used in transacting the business.</td>
</tr>
<tr>
<td>Capital stock</td>
<td>All shares representing ownership of a company.</td>
</tr>
<tr>
<td>Commodities</td>
<td>Products such as agricultural products and natural resources (wood, oil and metals) that are traded on a separate, authorized commodities exchange.</td>
</tr>
<tr>
<td>Dividend</td>
<td>A portion of a company's earnings which is paid to the shareholders/stockholders on a quarterly or annual basis.</td>
</tr>
<tr>
<td>Equity</td>
<td>The value of stocks and shares; the net value of mortgaged property.</td>
</tr>
<tr>
<td>Equities</td>
<td>Stocks and shares which represent a portion of the capital of a company.</td>
</tr>
<tr>
<td>Futures</td>
<td>Contracts to buy or sell securities at a future date.</td>
</tr>
<tr>
<td>Insider</td>
<td>All those who have access to inside information concerning the company.</td>
</tr>
<tr>
<td>Insider dealing/trading</td>
<td>Buying or selling with the help of information only to those connected with the business.</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial Public Offering - selling part of a company on the stock market.</td>
</tr>
<tr>
<td>Issue</td>
<td>Put into circulation a number of a company's shares for sale.</td>
</tr>
<tr>
<td>Liabilities</td>
<td>The debts and obligations of a company or an individual.</td>
</tr>
<tr>
<td>Mortgage</td>
<td>Agreement by which a bank or building society lends money for</td>
</tr>
</tbody>
</table>
the purchase of property, such as a house or apartment. The property is the security for the loan.

<table>
<thead>
<tr>
<th><strong>Mutual fund</strong></th>
<th>Savings fund that uses cash from a pool of savers to buy securities such as stock, bonds and real estate.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option</strong></td>
<td>The right to buy and sell certain securities at a specified price and period of time.</td>
</tr>
<tr>
<td><strong>Par value</strong></td>
<td>Nominal face value.</td>
</tr>
<tr>
<td><strong>Penny stock</strong></td>
<td>Shares selling at less than $1 a share.</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>Various types of securities held by an individual or institution.</td>
</tr>
<tr>
<td><strong>Securities</strong></td>
<td>Transferable certificates showing ownership of stock, bonds, shares, options, etc.</td>
</tr>
<tr>
<td><strong>Share</strong></td>
<td>The capital of a company is divided into shares which entitle the owner, or shareholder, to a proportion of the profits.</td>
</tr>
<tr>
<td><strong>Share certificate</strong></td>
<td>Certificate representing the number of shares owned by an investor.</td>
</tr>
<tr>
<td><strong>Shareholder</strong></td>
<td>Owner of shares.</td>
</tr>
<tr>
<td><strong>Speculator</strong></td>
<td>Someone who buys and sells stocks and shares in the hope of making a profit through changes in their value.</td>
</tr>
<tr>
<td><strong>Stock</strong></td>
<td>Shares (portion of the capital of a business company) held by an investor.</td>
</tr>
<tr>
<td><strong>Stockbroker</strong></td>
<td>A licensed professional who buys and sells stocks and shares for clients in exchange for a fee, called a 'commission'.</td>
</tr>
<tr>
<td><strong>Stockholder</strong></td>
<td>Person who owns stocks and shares.</td>
</tr>
<tr>
<td><strong>Trader</strong></td>
<td>Investor who holds stocks and securities for a short time (minutes, hours or days) with the objective of making profit from short-term gains in the market. Investment is generally based on stock price rather than evaluation of the company.</td>
</tr>
<tr>
<td><strong>Trading session</strong></td>
<td>Period during which the Stock Exchange is open for trading.</td>
</tr>
<tr>
<td><strong>Venture capital</strong></td>
<td>Money raised by companies to finance new ventures in exchange for percentage ownership.</td>
</tr>
<tr>
<td><strong>Yield</strong></td>
<td>Return on investment shown as a percentage.</td>
</tr>
</tbody>
</table>


**The role of the stock exchange**
- to raise capital for businesses (by selling shares to the investing public)
- to mobilise savings for investments
- to facilitate company growth (takeover bid, merger agreement)
- to redistribute wealth (stock price increases, dividends)
- to raise capital for the government (by issuing bonds)
- to indicate the general trend of the economy (barometer) (bullish ⇨ bearish)
the stock market index: may rise or fall day to day (bullish +, bearish -)
- depending on the latest economic, political and company news
- employment figures, retail sales, international trade negotiations,
- conflicts, new legislation, elections
- the forecasts made by major companies

SHARES AND BONDS

<table>
<thead>
<tr>
<th>Shares</th>
<th>Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued by companies</td>
<td>Issued by companies and the government</td>
</tr>
<tr>
<td>To raise money</td>
<td>To borrow money</td>
</tr>
<tr>
<td>Owner: shareholder</td>
<td>Owner: bondholder</td>
</tr>
<tr>
<td>Yield: dividend (not automatic)</td>
<td>Yield: interest rate</td>
</tr>
<tr>
<td>Risky: the market price can be lower or higher than the face value</td>
<td>Less risky: the interest rate is fixed, the principal will be repaid when the bond becomes mature</td>
</tr>
<tr>
<td>Types: ordinary and preference</td>
<td>Types: government bonds, treasury bills, corporate bonds</td>
</tr>
</tbody>
</table>

Situation:
You have won 50 000 Euro on the lottery. How would you invest it? Think of diversified portfolios. Give your reason for the chosen portfolios.
Possibilities:
- SE: bonds and shares
- Bank: deposit account, investment funds
- Opening a small business
- Joining a partnership as a silent partner

INTERNATIONAL TRADE

WARM-UP
- Think of some of the things you own. Where were they made?
  - shoes:
  - car:
  - computer:

- What are your country’s major exports and imports? Group the following products.
  - wines, raw materials, pharmaceuticals, tinned food, sausages, cars, consumers electronics, household machines, desk tops and laptops, computer accessories, telecommunications equipment, automobile parts and accessories,

- Do you think products made in your country are better than products made in other countries?

Place these countries on the chart below?

<table>
<thead>
<tr>
<th>France</th>
<th>Brazil</th>
<th>Germany</th>
<th>Greece</th>
<th>Italy</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>Singapore</td>
<td>UK</td>
<td>US</td>
<td>Hungary</td>
<td></td>
</tr>
</tbody>
</table>
Rich in natural resources
USA
Low GDP per capita
High GDP per capita
Poor in natural resources

VOCABULARY
Use the words in the box to complete the table.

<table>
<thead>
<tr>
<th>barriers</th>
<th>dumping</th>
<th>protectionism</th>
<th>quotas</th>
<th>WTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>open borders</td>
<td>deregulation</td>
<td>free port</td>
<td>strategic industries</td>
<td></td>
</tr>
<tr>
<td>liberalise</td>
<td>subsidise</td>
<td>infant industries</td>
<td>restrictions</td>
<td>customs</td>
</tr>
</tbody>
</table>

in favour of free trade
against free trade

DISCUSSION
- Is free trade always a good thing?
- Do you think it leads to the creation of jobs, or unemployment?
- Should certain industries be protected? If so, which?

Why export?
1. to increase sales and revenue. Exporting will allow you to take advantage of any under-used capacity, increase production, reduce unit costs through economies of scale and increase profits if things go well.
2. to diversify: Relying on just our own domestic market is risky. Selling to other countries just spread the risk.

Before exporting some research is to be done on the foreign market on the following issues:
- background: economic situation, political stability, currency risk
- market size and product demand
- competition: similar products
- distribution channels: agents, distributors
- promotional material
- customer service
- legal requirements: technical, safety and environmental standards
GLOBALISATION

Discuss these questions.
1. What do you think of globalisation?
2. Do you think it is a recent trend?
3. What global companies can you think of?
4. Do global companies do more harm than good?

When a company goes global, it tries to choose the best method to enter overseas markets. Match the methods below to the definition.

1. franchising  a. a company partly or wholly owned by a parent company
2. local partner  b. giving sy. the exclusive right to sell products in a certain area
3. subsidiary  c. buying and taking over another company
4. licensing  d. a group of companies in similar businesses working together
5. consortium  e. two or more companies join temporarily to carry out a large project
6. joint venture  f. a person or a company who cooperates with a foreign company who wishes to enter the market
7. acquisition  g. selling the right to a manufacturer’s trademark, usually in a foreign market

(from Cotton-Falvey-Kent: Market Leader Intermediate p.8.)

Complete the sentences using some of the methods above.
1. Coca-Cola Co, the world's biggest drinks maker, is seeking more ..........opportunities.
2. In 1999 Nestle USA and the Pillsbury Company formed a ........combining U.S. frozen dessert businesses.
3. The American carmaker General Motors has announced it will close its Swedish ........ Saab after no buyer could be found.
4. Perfect Pizza, one of the UK's leading pizza delivery and takeaway businesses, provides the perfect pizza ........ opportunity for someone who wants to earn a fantastic income in a rapidly growing market.

Listening
We look at the rise of big global brands - companies which see the entire world as their market and whose advertising and look and feel are the same from one country to another. Listen to the text on the following website:
http://www.bbc.co.uk/worldservice/learningenglish/webcast/tae_insight_archive.shtml

Offshoring and outsourcing

Offshoring is when a company moves part of its activities to another country, perhaps because costs are lower or the can be closer to its markets. For example, a car manufacturer in Japan might move a factory to Britain. It may include outsourcing the activity to a company in another country. Outsourcing involves employing a different company to do part of the work your company needs. For example, instead of having an accountant working for your company, you pay a specialised accountancy firm to do the accounts for you.
What are the advantages of offshoring for
- the company?
- the receiving country?
- the customers?

What are the disadvantages?

Consider the following:
costs and prices flexibility employment efficiency customer services

THE EUROPEAN UNION

In May 2004, the European Union expanded membership from 15 to 25 members. The expansion of the EU has presented many problems and challenges to all existing and new members. The differences between the economic performance and development of the new states in relation to the existing states resulted in the implications of new cultures, new financial pressures and new markets. The expansion has led to significant benefits to all members of the EU in terms of economic development but the changes following the expansion have also caused some problems for all members.

What are the consequences of enlarging the EU?

- Economic growth. Enlargement will generate economic growth in both 'old' and 'new' member states: in the new states the reform of economic systems to a market economy will generate increased productivity and efficiency and allow them to be able to take advantage of the Single Market through increased trade; in the old states as trade and investment opportunities increase with the new states. Estimates suggest that job totals could increase in old member states by 300,000.

- Stability. Membership of the EU will bring with it political stability to the new democracies of Eastern Europe as they reform their legal and government institutions as part of the accession process. Such stability is important in generating investment not only from within the EU but from outside it, thus contributing to further economic development.

- Global Presence. The EU has a stronger global voice, as its enlargement has brought the population to over 500 million (more than the USA and Russia combined), so giving more weight in international negotiations such as trade policy.

- Business Confidence. Companies in existing Member States will have more confidence with those in the new Member States, as they will be operating on a level playing field in terms of EU legislation. Again, business confidence is an important factor in generating investment and encouraging enterprise and initiative.

- Foreign Direct Investment (FDI). Membership of the EU and the euro will increase the amount of Foreign Direct Investment in the New Member States.

- Structural Funds. The regional aid which attempts to redistribute funds from the wealthier regions of the EU to the poorer ones will be made available to the New Member States. This will help develop these countries and improve infrastructure. Improvements in infrastructure will again be a benefit to trade and in theory, all countries involved will benefit - the new member states from improved internal infrastructure and the old member states from the extra revenues earned from new trade.
Disadvantages

- **Migration.** Enlargement could produce high levels of migration as workers move from the new member states such as Poland where unemployment is high at 16.7% to those old member states where it is low such as the Netherlands at 3.6%. It was anticipated that workers would be able to move freely as the EU operates on the principle of the Single Market - one of the ‘four freedoms’ inherent in the Single Market is the free movement of labour. However, the old member states have created restrictions on the entry of labour into their countries for at least the first two years of enlargement.

- **Common Agricultural Policy.** The controversial Common Agricultural Policy will be extended to the new member states, many of which have predominantly rural economies. The CAP includes measures such as subsidies and income guarantee schemes for farmers, which could prove to be hugely expensive if extended and a drain on the economies of old member states.

- **Regional Aid.** The difference in GDP per capita between the old member states and the new member states is stark. This is also reflected in the ranking of each set of countries in the UN Development Programme's Human Development Index (HDI), which combines indicators of life expectancy, education, literacy and GDP. This difference in wealth and standard of living could be another drain on old member states in two ways - firstly, old member states may need to contribute more as the demand for regional aid increases, and secondly, old member states currently receiving regional aid such as Spain and Greece find their aid reduced as money is channelled elsewhere.

- **EU Standards and Systems.** There are concerns that some New Member States will not have the necessary standards and systems in place, e.g. in meeting standards in food hygiene, and regulations on agricultural production. Meeting environmental standards may be too high a cost for some, while bringing public services up to standard will mean increased taxation for many citizens of the New Member States.

- **The Legacy of the Soviet Economy.** In some of the states of the former Soviet bloc, certain areas of industry may not have had time to catch up with those of the EU and find they are forced out of business when these countries join the Single Market.

(From: http://www.bized.co.uk/learn/economics/international/eu/notes/eu5.htm)

**Hungary**

*Europe Threatens to Suspend Subsidies to Hungary*

By **STEPHEN CASTLE** and **PALKO KARASZ** February 22, 2012

BRUSSELS — Already at odds with the European Union over the quality of its democracy, Hungary found itself fighting on a second front on Wednesday when it was threatened with the suspension of $656 million in European Union subsidies over the state of its public finances.

Budapest and Brussels insisted that the two issues were not linked, but the conflict again pits Hungary’s prime minister, Viktor Orban, against the executive arm of the European Union, which is responsible for upholding the bloc’s rules.

Previous clashes have occurred over claims that Mr. Orban was pushing through measures that threatened the independence of the news media or the national central bank and that could erode pluralism in Hungary. But the new dispute is more technical, relating to persistent breaches of deficit rules.

Speaking in Brussels, Olli Rehn, the European commissioner for economic and monetary affairs, proposed the suspension of the money, which is intended for Hungary’s poorer regions, unless the country took action to lower its deficit.
Under the bloc’s economic rule book, member nations must keep their deficits below 3 percent of gross domestic product, and the rules have been tightened since the financial crisis. The announcement on Wednesday appeared to illustrate the European Commission’s new determination to flex its muscles.

“This decision today is to be regarded as an incentive to correct a deviation, not as a punishment,” Mr. Rehn said.

The penalty would not take effect until January, giving Hungary time to avert it. But if it fails to do so, the money could be lost for the Hungarians. That would be an unprecedented step, particularly since Hungary is not in the euro zone and because all but a few European Union nations are also above the 3 percent ceiling.

Though the Hungarian government has reduced its deficit, the European Commission argues that the decrease has been achieved through temporary measures. In 2011, Hungary was technically below the 3 percent ceiling, but only because of one-time initiatives worth about 10 percent of gross domestic product, masking a severe deterioration in the underlying structural balance, the commission says.

Peter Szijjarto, the prime minister’s spokesman, and Andras Giro-Szasz, a government spokesman, said Wednesday in a statement that the decision by the European Commission was “unfounded” and “unfair.” The statement emphasized that Hungary’s government deficit was under 3 percent of G.D.P. last year and would be under 3 percent this year as well.

The European Commission estimate for 2013 is 3.25 percent of G.D.P., but a set of “new measures” would decrease that figure by 0.4 percent.

The threat to withhold cash comes at a time when Hungary is looking for financial assistance from the European Union and the International Monetary Fund that has been held up in part because of worries that Mr. Orban’s government is undermining the independence of Hungary’s national central bank.

The European Commission has taken the first legal steps against the Hungarian government over laws concerning its data-protection authority, and over the retirement age for judges.

Stephen Castle reported from Brussels, and Palko Karasz from Budapest, Hungary.

Hungarian Students Decry State Sponsorship Cuts and Other Changes
By PALKO KARASZ March 4, 2012

BUDAPEST — University students and administrators are complaining of a climate of uncertainty as the government rolls out changes in the higher education system, including sharp cuts in the number of state-sponsored students and an obligation for them to work in Hungary after graduation.

Education Minister Rozsa Hoffmann traveled to Brussels last week to discuss the changes, which have raised concerns in the European Commission, the European Union’s executive body.

“The education and higher education reforms intend to serve modernization and equal access to studies and culture while the country has to fight a heavy debt burden,” Ms. Hoffmann said after meeting with the E.U. education commissioner, Androulla Vassiliou, the MTI news service reported.

But Ms. Vassiliou said the new laws, which went into effect Jan. 1, might not allow Hungary to reach the Europe 2020 education targets. The targets include lowering the dropout rate to under 10 percent and increasing the qualifications for degrees in Hungary to 30 percent, said the commissioner’s press service.

The minister said Hungary wanted to “prevent the appearance of not willing to comply with obligations it took on.”
Hungary began the overhaul with the aim of making universities more effective and degrees more competitive. When the laws went through Parliament last December, opponents argued that the measures were taken hastily and without proper public consultation.

In January, the government cut entry-level places getting full state sponsorship to just over 33,000 from more than 53,000 in 2011. A subsequent decree required those benefiting from state sponsorship to work in Hungary for twice the number of years they spent at university.

Prime Minister Viktor Orban said in February that higher education needed reform because “thousands of graduates every year thought their degrees were of great value, but it turned out not to be the case.” “Those who study on taxpayers’ money should accept to stay working at home for a while,” he said.

Cuts in the number of state-financed places will affect certain areas more heavily than others. Only 5.1 percent of last year’s spots will be available for those starting economic studies.

Zsolt Rostovanyi, the rector of Corvinus University of Budapest, which specializes in economics, said, “The cuts were drastic, and they came down hard on our university, and certainly on the students preparing for these careers.”

While Mr. Rostovanyi praised the government’s intention to improve the system, he said important measures were taken by decree, without consultation, which left students unsure whether they would get state money. His university was trying to put in place alternative ways of financing, Mr. Rostovanyi said, but it was hard to plan ahead with decrees still pending.

“We can’t foresee what the government is going to do next,” he said, “We don’t see a coherent strategy.”

He said university fees would not be so controversial if there were other student aid. Students who would no longer be sponsored would take state-financed student loans that would leave them with substantial debt, he added.

Annual tuition for an economics undergraduate this year will be about 550,000 forint, or about $2,500, roughly two and a half months’ wages for the average earner.

Andrea Kobor, 22, is a master’s student in international economics at Corvinus and one of the founding members of Hallgatói Halozat, or Student Network. They started the movement last May, she said, “when we saw that the reform was being rolled out lacking social consultation and transparency.”

Ms. Kobor, who spent a semester studying in France, said her experience there was “incomparable” to her Hungarian course. She highlighted doing research, debating and looking for solutions independently. “This is completely lacking from Hungarian education and shows in our political culture as well,” she said. “People are shy to express their opinions, to stand up for themselves.”

“The biggest appeal of Hungarian universities used to be quasi-free education, proximity to home and wider accessibility,” Ms. Kobor said. If students are no longer sponsored by the state and have to pay tuition, “a rationally thinking student will rather go with Western European schools,” she said.

Hungary is not the only country in the European Union struggling to improve an old education system that relies heavily on state financing. The European Students’ Union said several E.U. members, like Estonia and Malta, were looking at ways to slow the departure of graduates from their countries, while others planned to limit access to state scholarships.

“Hungary is, however, the first E.U. country with such a strong and visible restriction for state funded students,” said Allan Pall, chairman of the European Students’ Union.

To Mr. Pall, the new law introduces an “unjustifiable restriction of freedom of movement for workers and is a violation of Article 45” of the Treaty on the Functioning of the European Union, for which the students’ union has requested a European Commission investigation.

Applications for Hungarian universities closed in late February, with a first estimate of 70,000 applicants, officials said. They will be processed together with final exam results this spring.

Gergő Birtalan, 17, from Kecskemét, in southern Hungary, applied to study law in Budapest, a subject also heavily affected by cuts. “It was an awful surprise to learn about the cuts, just a month and a half before application deadlines,” he said.

Unsure if he is going to make it into the state-financed quotas, he is now considering last-minute options, including going abroad. “I see quite a dire future,” he said. “I can’t plan anything ahead.”

Others, meanwhile, see a brighter future abroad. Haszon (Profit), a business weekly, just featured a self-assured young man on the front page. “Degree? For free!” read the headline, referring to places like
neighboring Austria that welcome Hungarian students, tuition free. “There is still time to apply – career and living in five fashionable countries.”

(http://www.nytimes.com/2012/03/05/world/europe/hungarian-students-decry-state-sponsorship-cuts.html?ref=europa)

Ageing population

How to Pay for Pensions

Published: March 2, 2012 EDITORIAL

State and local governments everywhere are in sticker shock over the rising cost of public-employee pensions and scrambling to manage those obligations. New York State has taken a reasonable approach that allows public employers to pay a portion of their yearly contributions to New York’s $140 billion public pension fund and to pay the remainder in installments, with interest, over a decade. Critics say this program is a borrowing sleight-of-hand that only postpones the problem. We were also skeptical when the idea was first raised. But the state comptroller, Thomas DiNapoli, has persuasively argued that the program is transparent and helps smooth out payments in tough times, without undue risk to the fund.

Of course, this fix deals only with the near-term problem. Solving the longer-term pension problem still depends on broad reforms, as Gov. Andrew Cuomo has proposed, and building up pension reserves in times of robust investment returns.

The state fund is financed through contributions from public employers and employees and from investment earnings. Recently, annual employer contributions soared, mainly to make up for huge investment losses from the financial meltdown. Of course, when investment gains were high and employer contributions were low, no one complained about pensions.

Albany politicians and public employers added pension sweeteners. And instead of using the good years to build reserves for lean times, as allowed by a law passed in 2004, some employers used money that could have gone to pension contributions for tax cuts and other spending. For long-term relief, Governor Cuomo’s sensible reform proposal will help. It would increase the pension contribution and retirement age for new employees, while reducing their ultimate payouts to 50 percent of pay after 30 years of service, from 60 percent currently. His plan would also bolster anti-abuse provisions in the law to prevent employees from loading up on overtime in their final working years to inflate their payouts.

In the near term, New York’s mechanism to reduce employer payments is better than the alternatives. Some states, for instance, have deferred making contributions, which deprives pension funds of consistent payments. Others have used rosy assumptions about future costs and returns to keep contributions unrealistically low.

New York’s relief plan avoids those pitfalls. As an added protection, it will use payments by employers that participate in the program to create a reserve fund to cushion the impact of contribution increases in the future. In the meantime, Mr. DiNapoli must monitor the program carefully for signs of strain in the system, particularly if employers fail to make timely payments.

So far, the state government and some 165 other public employers have opted for the relief program, out of roughly 3,000 employers in the pension system. Obviously, it would be preferable if they all made full contributions today. But this plan, coupled with pension reforms and mechanisms like reserve funds can help public employers get through the current budget crunch.

http://www.nytimes.com/2012/03/03/opinion/how-to-pay-for-pensions.html?ref=pensionsandreitrempplans

APPENDIX:

1. Useful phrases for business reports/articles and proposals
Introduction:
- The aim/purpose of this report/article is to ....
- This report/article includes/consists of ....
- It is based on information gathered from the
- Regarding/ with reference to/ in relation to

Findings:
- We have found that ...
- Our/the research shows that ...
- Our/ the research has revealed that ...
- The following key areas can be identified ...
- The survey carried out by ... has revealed/shows that ...
- The data obtained will inevitably have an impact on ...

Conclusions:
- In the light of the above findings we have reached the following conclusions.
- On the basis of the above figures, the firm/ we should change our business policy.
- It is clear that ...
- It has become obvious that ...
- In conclusion, ...
- Taking everything into consideration

Recommendations:
- There are three main recommendations to make.
- We strongly recommend that ...
- Further research should be carried out to find out ...
- The next stage is ...
- It’s important/essential to change our business policy.

Balanced careful style:
- In general, ... however, ...
- Many/some/several/A majority of ...
- usually, typically, often ...
- would/could/may/might
- It is possible that
- It seems that
- Production is expected to ...
- The sales are likely to ...
- Substantially/considerably/significantly
- Moderately/ to some extent
- Marginally/slightly

Analysing and giving reasons
1. from reason to result
   - Because of/ Due to/ As a result of + noun phrase
   - Because + clause/ Due to the fact that
   - Because of this, / As a result, / Therefore, / For this reason, ...
   - to lead to / to result in ...
2. result from reason
   - Because of/ due to/ as a result of
   - to result from...
3. contrasting
- ..., while/ whereas
- in contrast, on the other hand

4. giving a surprising or unexpected idea
- However, / Nevertheless, / Even so, ...
- In spite of / Despite + noun phrase
- In spite of the fact that / Despite the fact that
- Although/ Even though ...
- ..., although/ even though

5. saying the real situation
- In fact, / Actually, / As a matter of fact

6. giving an example
- e.g., such as, for example, for instance, in particular, especially

7. giving additional information
- Moreover, / Furthermore, / In addition, ...