

## **Viktor Orbán's Speech to mark the signing of the Strategic Partnership Agreement with Gedeon Richter Plc**

Viktor Orbán's held a speech on 2 November to mark the signing of the Strategic Partnership Agreement with Gedeon Richter Plc.

Good Afternoon Ladies and Gentlemen!

This may seem like an unconventional event, but it is in fact an event that marks the beginning of a new convention. The reason we have gathered here today is the signing of a Strategic Partnership Agreement. We are proud of this invention, because it is a part of the economic policy innovation with which, while adapting to the current European economic conditions, we have done our utmost to try and keep Hungary above water during the past two and a half years and help it to feel steady foundations beneath its feet. Agreements, as a genre, are of course not unknown in politics, nor in fact is it unknown within the relationship between politics and the economy. The current Government has, for instance, agreements with the Hungarian Chamber of Commerce and Industry, or for example with the National Association of Entrepreneurs and Employers. These are agreements concluded with general economic interest representation groups. But the object of today's gathering is of a different character. The Hungarian Government does of course have various agreements with corporations that are competitive within a larger, international domain for concrete projects. Browsing just this morning's papers we might quote as an example the agreement with Gazprom, which was concluded jointly between Gazprom and a corporation that is owned by the Hungarian State, and concerns the fact that we will be building a 229km long pipeline and then operate it together. This is another form of agreement, again not unknown within the relationship between politics and business. However, today's agreement is something else, and falls under neither category; this is a third type of agreement, of which we plan to conclude many in future with both Hungarian companies and foreign corporations operating in Hungary.

This Strategic Partnership Agreement is based on the realisation that in this era which we are on the eve of it is of course increasingly important for states to conclude agreements with each other on customs duties, taxes, avoiding double taxation, and who knows what else. But if we are correct in our vision of the future, this will no longer be enough in the decades ahead, because, in the Hungarian context, there are always some corporations, large international companies, for the more fastidious: global, large, international companies, that play such a special role from the point of view of certain national economies, and we are of course talking about Hungary in this case, that it is insufficient to sign agreements regarding a few concrete economic projects, but instead it is in the interests of the given community, in this case Hungary and its citizens, that a joint, long-term partnership agreement be concluded with these corporations featuring a few concrete criteria. This is the second such agreement to be concluded in Hungary. We signed the first with Coca-Cola, this is the second, and there will be several more in the following months. We have selected these large international corporations, and Gedeon Richter must surely be considered as one, being a large, international company with a decisive or at least significant influence on the whole Hungarian economy, one by one expressly on the basis of criteria that

relate to the national economy of Hungary, and will be concluding long-term agreements with them through which we also aim to make it clear before Hungarian public opinion that the important question is in fact not who is Hungarian or who isn't, and to what extent, although this too is an important issue, but instead in the modern world the most important question goes like this: does a large international corporation fit into the Hungarian economic system in a healthy way that is useful to the whole Hungarian community, or not. And if it fits in a useful manner, and what's more we can envisage how it may fit in an even more useful way, then we are prepared to pay special attention to the needs of these corporations in future years within the framework of a Strategic Partnership Agreement, and to facilitate their expansion both in Hungary and in the international economic domain within the framework of many concrete agreements. Such agreements are not usually concluded, and for that matter this has until now been missing from Hungarian economic policy. Agreements of this kind did not previously exist.

This may be an unorthodox measure, to use a term from the 1956 Revolution, or more elegantly an innovation, to which we are drawn for two reasons. The first, since Attila Chikán is here among us, then without wanting to pass on the responsibility to him even to the slightest extent, in view of the fact that he is after all one of the Government's prominent, quality critics, whose words we always follow with intent, it would not be fair for me to channel the responsibility in his direction now; then again if a person trains youngsters at university and teaches them about innovation, then he should count on the fact that, wherever the wind might cast them, they will innovate there. In this case, the specialised study group background compels and drives the current cabinet to perpetual innovation, motivating it within its own field, economic policy, as well as in the field of state life. But beyond this motivation, for which we are of course grateful to our teachers, the other circumstance which provides a case for searching for such innovative economic instruments is constraint. The constraint that goes with the realisation that it has become obvious, the instruments that shaped successful economic policies before the outbreak of the financial crisis will be insufficient to enable successful economic policies to come into being either during the crisis, or after it. It is a subject of great debate throughout the world whether the world following the crisis will be like the world was before the crisis. Consequently, there is also heated debate on whether the instruments and measures that were successful before the crisis will continue to be successful following the crisis. Our opinion is that they will be only partially successful. Another issue is whether we need to discover new instruments for the development of the national and international economy in the period following the crisis if we wish to be able to compete with developing national economies in other parts of the world. Our answer is yes, we must find such tools. So the business of politics, and economic policy, must be continuously innovated. And so, after this long explanation, this in a nutshell is the genre of today's agreement, and the reason for today's unconventional gathering is that we have concluded a Strategic Partnership Agreement using what is now one of the economic policy tools of the future with Gedeon Richter Plc.

Moreover, Hungary must find new economic tools under circumstances in which it must at once reduce its debt and increase its competitiveness under conditions in which it is obvious that the economic space that surrounds us is incapable of doing so. We must therefore calculate with the eventuality that the Euro states will be incapable

of decreasing their national debt, will be incapable of keeping their budgetary economy under control, will be incapable of beginning significant economic growth, and will be incapable of increasing their competitiveness in the coming years. If we view the reports objectively, we can see this clearly. Accordingly, the number of countries that are in trouble is growing month by month. Even during the remainder of the year there will be new Euro countries in great difficulties, new countries to join the others that are already in trouble. And so it is in such an environment – this is why I used the term constraint – that Hungary must find the tools which provide the country with the chance of keeping its head above water and find sure footing.

Ladies and Gentlemen!

I have always felt that the fact that, while to the west downsizing, the closing of factories and reductions in wages and pensions have become everyday occurrences we have managed to spare Hungary from these, is an achievement that deserves acknowledgement. For a country to be successful, it needs successful corporations. I have often encouraged Richter's directors to be successful, make a large profit, to distribute lots of dividends and pay their employees high wages, because Hungarians can often be timid and don't like talking about the fact that successful companies after all serve to enable the people who work there to enjoy a better standard of living. The fact that the whole national economy is also built on this goes without saying, but the Hungarian economy will not develop if corporations are not competitive, are unable to pay their employees high wages, to pay high salaries to talented young people who can be brought home from abroad, or are unable to keep our best young brains here by paying sufficient salaries. This is only possible if wages and salaries are at an equitable, international level. And so it is in the interests of the Hungarian Government that Richter's employees earn as much as possible and the company make as high a profit as possible. In the United States, this would be a boring statement, a cliché, but in Hungarian politics this still counts as an unconventional thing to say. My goodness, we will just have to get used to it. There is, therefore, no successful nation without successful corporations. And the Hungarian Government is counting on successful corporations in such a way that we will try, as I have mentioned, to incorporate them into the very tissue of the Hungarian economy. In addition, as one of the reasons for concluding this agreement today, I would like to mention the fact that the Hungarian Government is a committed supporter of corporations that also perform innovative research and development, and so are not only successful and not only pay high wages today, but also create the opportunity for being successful and paying well in the future.

The third reason that the Government felt this Agreement to be important is that the pharmaceutical industry plays a unique role within the whole Hungarian economy, a prominent role. The pharmaceutical industry of course needs certain raw materials, but in essence it is after all an intellectual genre. We have just been talking about the fact that of course MOL and OTP are also extremely important corporations in Hungary, but the fact that we can sell thoughts and ideas in the guise of little pills in large quantities all over the world remains a unique trait of the pharmaceutical industry. And if what we think about ourselves is true, that through our unique way of thinking we have a flare for certain sectors of industry, and we not only say it about ourselves but also succeed in marketing it in the form of products, then I think this is most definitely a motivation from the Hungarian pharmaceutical industry to all

companies that are involved in innovation. The Hungarian pharmaceutical industry plays a traditionally important role, and we would like it to remain such a key sector in the future. In other words, it is also the goal of the Hungarian Government that the Hungarian pharmaceutical industry should continue to be among the sector's world leaders. For this reason, we are also supporting research related to the development of new pharmaceuticals, and are working to widen the scope of market opportunities available to these corporations.

The President has also mentioned that, after the Hungarian Government and now the pharmaceutical industry, I should say a few words about Gedeon Richter itself. The Hungarian Government also has a special responsibility towards Gedeon Richter. Namely, that we are one of the owners of the company. In fact we have a stake in the company that exceeds 25%. As such, in addition to general, economic policy-related responsibility, we also bear a unique responsibility as owners. In my view, the solution we have applied until now, that we reserve our responsibilities as owners to the minimum with regard to intervening [in the corporation's affairs], has been the correct attitude. There may well be a relationship between the company's success and this fact. Let us not exclude this fact. It is however obvious that being informed, the collection of data, monitoring and in general the fact that information on the company is regularly made available to the owners, something that has always been realised thus far, will continue to be important. But I would like to stress that the Hungarian Government does not wish to move forward one step with regard to the issue of governing the company, compared to what has been observed so far on our part. Thus, we believe that the success that has come about is the joint achievement of the strategically-minded directors who manage the company and the workers and employees who are capable of realising their ideas, and we do not wish to distract this with the inclusion of a new, third party. However, in accordance with our strategic cooperation and cooperation as partners, we will be happy to consult with the company on difficult issues relating to opportunities for development.

In addition to the special responsibility the Hungarian Government has towards Gedeon Richter in view of its shares, there is a third responsibility, namely that Richter is moreover a Hungarian success story. I find it important to stress this because there may well be many success stories that have occurred in Hungary, but there aren't too many actual Hungarian success stories. And as is the case with every success story, behind lies behind this success story is essentially a whole culture. Only the most reprobate financial investors think that if we clear out a barn and fill it with modern machinery, then some product will actually be created there that will be competitive internationally. The truth is that this isn't the case. The truth is that significant international success and a competitive product must be built up over several decades through its very culture. Every company has a culture. Gedeon Richter too has its own culture, which in my view has given it a competitive edge going back all the way to Gedeon Richter himself. He himself has a hand in the successes of today, and the preservation and retention of this culture is an elementary economic interest, which, if I now translate it into the usual language of communication, means that this structure, this solution, according to which there are financial investors in Richter but no technical ones, should be retained in the future. This means that Richter's professional policy is provided by and exuded day by day by this culture, which the company brings with it from its long history. And this is something it would not like to combine or dilute; if I understand the current directors

of Gedeon Richter, they would not like to combine this with any similarly valuable culture that has come about somewhere else, but instead, viewing itself as competitive with regard to the future, in the hands of a Hungarian technical investor [know-how] and with the application of the financial instruments of foreign financial investors, it is with this own company culture that Richter would like to continue to operate, something which is in unison with the Government's intentions. This is therefore a Hungarian success story. Not just a success story that happens to have occurred in Hungary; and this too provides this plant with a special quality, and generates special attention on the part of the Hungarian Government.

And so now here are some facts that I must tell share with the press. Although each and every one of those present is quite aware of them. Nevertheless, it is an important fact that we are signing an agreement with the only pharmaceutical company with its headquarters in Hungary that operates without foreign technical investors and with Hungarian management. It ships active substances and finished products to over a hundred countries throughout the world; 88% of its revenue arises from these export activities. The company provides five thousand people with a place of work directly, and according to our calculations through related businesses, primarily suppliers, it provides employment to a further ten thousand people in Hungary. This means a livelihood for a total of fifteen thousand people, or fifteen thousand families. Richter's thousand-strong research and development centre is the largest in the Central-Eastern European region. Richter spends the most on research and development of all companies in Hungary, close to ten percent of its revenue. In 2011, this figure was 29 billion forints. The last time we had the pleasure of meeting the company's directors was in Debrecen, where we were proud to reveal that state funding of one billion three hundred and eighty-one million forints had been successfully realised there. There are as such already precursors for our Strategic Partnership Agreement.

It is therefore on the basis of these facts that the Hungarian Government has decided to conclude this agreement. We do not wish to conceal the fact that, prior to the signing of the agreement, we held a meeting with the company's directors at which several concrete issues were discussed. These constitute partly political and partly trade secrets, and for this reason the Managing Director has sole command of them; if he wishes to share this information with his employees or management, he will do so. At all events I feel that we have concluded all the agreements required, including a concrete agreement that was necessary, for the employees of Gedeon Richter to feel that their jobs are secure, and for the company to see and feel that it has a future and it is worthwhile to continue development. I will not tell you all the other, extremely interesting things now, because I feel we may drown in a surplus of information, and this was not among the targeted criteria of the agreement, furthermore we feel it may detract from this morning's discussions. In closing, I would therefore like to congratulate the employees and directors of Gedeon Richter on today's Agreement!

Thank you for your attention.