# GENERAL AGREEMENT ON <br> TAPIFES AND TRADE 

Committee on Trade and Development

## Fiftieth Session

25-26 October 1983

## PART IV CONSULTATIONS: BACFGROUND INFORMATION

Hungary
Note by the Secretariat

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## Introduction

1. At their Thirty-Eighth Session in November 1982, the CONTRACTING PARTIES, with a view to improving the review and surveillance procedures in regard to the implementation of Part IV, decided that:
(a) "the Committee on Trade and Development, bearing in mind particularly the special responsibility of the developed contracting parties in this regard, shall adopt a programme of consultations with contracting parties individually or collectively, as appropriate, to examine how individual contracting parties have responded to the requirements of Part IV;
(b) each such consultation shall be based on information supplied by the contracting party or parties in question and additional factual material prepared by the secretariat;
(c) the Committee on Trade and Development shall also examine other aspects of existing procedures for reviewing the implementation of Part IV and for dealing with problems relating to the application of its provisions, and prepare guidelines for their improvement."
2. At its forty-ninth session, in March 1983, the Committee on Trade and Development carried out an examination of its future work programme in the light of the decisions taken by Ministers at the Thirty-Eighth Session of the CONTRACTING PARTIES. In relation to the decision on consultations in regard to the implementation of Part IV, the Committee agreed that the consultations should be carried out in the Committee itself. It also agreed that discussions, in the course of the consultations, could be organized under the following general points:
(a) overall review of developments in a country's trade flows and factors affecting such trade;
(b) examination of how a country's economic and trade policies have responded to the objectives and principles contained in Article XXXVI;
(c) examination of how trade policy measures have responded to the commitments of the countries concerned under Article XXXVII;
(d) consideration of any matters relating to joint action under Article XXXVIII.
3. In regard to the question of documentation to provide the necessary basis for the consultations, the Committee agreed that the consulting country would be invited to submit a paper containing information relevant to the points mentioned above, and that the secretariat would prepare a factual background paper covering developments in trade and trade policy in regard to the country or group of countries being consulted.
4. The Comittee noted that following consultations with delegations, it was proposed to hold consultations with the Nordic corntries, Austria and Hungary in the course of 1983. The present document contains factual background material covering developments in trade and trade policy in regard to Hungary. The material has for the most part been drawn from available official and GATT documentation. It is not intended to be exhaustive.
5. While every effort has been made, including consultations with the delegations concerned, to present a clear and factually accurate picture of the situation, the information is subject to verification and correction in the light of any comments or suggestions that might be made by delegations.

## SECTION I: Economic background

6. Hungary recorded a relatively high average real GDP growth rate of 6.3 per cent per annum from 1971 to 1975 . The growth rate fell to 3.6 per cent in 1976 and then rose to 7.6 per cent in 1977 . The rate of growth fell again after $197 \%$, to 2.3 per cent and 0.2 per cent in 1979 and 1980 respectively. There was some recovery in 1981 , with GDP increasing by 2.5 per cent, and in 1982 the rate was lower but still positive. The comparatively lower growth rates of the most recent years have been influenced by factors such as declining investment, reductions in imports, lower demand in foreign markets and stagnating domestic demand. In 1982, industrial output increased by 2 per cent as compared with nearly 3 per cent in the preceding year. Agricultural output, which accounts for a high share of Hungary's hard currency earnings, increased by 5 per cent in 1982.
7. The rate of growth of industrial employment averaged about 1.3 per cent per annum from 1974 to 1975. For the rest of the period up to 1981 , industrial employment declined every year, by amounts ranging from 0.1 per cent in 1978 to 2.8 per cent in 1980 . Inflation has remained comparatively low, rising from 1.8 per cent in 1974 to 9.1 per cent in 1980 , before falling back to 4.6 per cent in 1981. The annual average inflation rate between 1973 and 1981 was 5 per cent.
8. Hungary's trade deficit has been progressively reduced during the period from 1975 to 1982. The current account as a whole has also improved during this period, despite a continued widening of the deficit in respect of services and transfers. Detailed balance-of-payments figures for 1979, 1980 and 1981 are presented in Table 1. Hungary's currency, the forint, depreciated against the dollar by 6.8 per cent in 1982 , compared to a depreciation of 5.5 per cent in 1981 and an appreciation of 8.6 per cent in 1980.
9. In volume terms exports have grown steadily throughout the 1970 's, and in 1982 increased by 5 per cent. The volume of imports, on the other hand, started to decline or stagnate in the years from 1979 onward and fell by 2 per cent in 1982. The terms of trade continued to deteriorate in 1982 as prices of some of the major commodities exported by Hungary declined. In 1982 exports of machinery expanded by 14 per cent in value terms and accounted for 27 per cent of total exports. Exports of agricultural products (including processed food) increased by about 6 per cent, and

TABLE 1
Balance-of-Payments 1979, 1980, 1981

|  | (US\$ million) |  |  |
| :---: | :---: | :---: | :---: |
|  | 1979 | 1980 | 1981 |
| Exports f.o.b. | 7,949 | 8,877 | 8,894 |
| Imports f.o.b. | -8,509 | -9,020 | -8,855 |
| Net services and unrequited transfers | - 382 | - 434 | - 937 |
| Current account balance | - 942 | - 577 | - 898 |
| Direct investment | 6 | 3 | 2 |
| Portiolio investment n.e.s. | - | - | - |
| Other long-term capital n.e.s. | 937 | 779 | 988 |
| Other short-term capital n.e.s. | - 237 | 448 | - 565 |
| Net errors and omissions | 71 | - 150 | 30 |
| Other transactions | 21 | - 51 | - 175 |
| Net change in reserves | 144 | - 452 | 618 |

(Source: International Financial Statistics, IMF)
represented 25 per cent of total exports in 1982. On the import side, energy products expanded most rapidly, by nearly 35 per cent in value terms, and their share in total imports increased from 15 per cent in 1981 to 20 per cent in 1982. Imports of machinery increased by 4 per cent, while imports of industrial raw marerials and semi-finished products, industrial consumer goods and food stagnated or declined.
10. The figures in Table 2 show the shares of different country groupings in Hungary's trade, and the country's trade balances with these groupings, for the three years up to 1982. Developing countries accounted for about 17 per cent and 24 per cent of Hungary's imports and exports respectively in 1982. Whilst there has been a modest increase in the share of Hungary's imports from developing countries, amounting to 1 percentage point between 1976 and 1982, developing countries have provided a growing market for Hungary's exports, representing an increase of 5 percentage points between 1976 and 1982 in their share of Hungary's total exports. With respect to the other country groupings identified in Table 2, the Eastern trading area accounted for 48 per cent and 52 per cent of Hungary's imports and exports respectively in 1982, while the comparable figures for developed countries were 35 per cent of imports and 24 per cent of exports.

## SECTION II: Tariffs

## General information

11. The Hungarian Trade Customs Tariff, based on the CCC Nomenclature, is applied to goods imported inco Hungary on the basis of contracts concluded by Hungarian foreign trade enterprises and by enterprises having foreign trade rights.
12. GSP rates are indicated in Column $I$ of the Hungarian Tariff and m.f.n. rates in Column II. Goods originating in least developed countries (31 listed countries at present) have been granted duty-free treatment on all products since 1978. Hungary does not apply tariffs to imports settled in non-convertible currencies and based inter alia on fixed prices and quotas from countries in the Eastern Trading Area, i.e. those listed in Annex $A$ of the Frotocol fur the accession of Hungary to the General Agreement (Albania, Bulgaria, Czechoslovakia, the Democratic People's Republic of Korea, the German Democratic Republic, Mongolia, the People's Republic of China, Poland, Romania, the Union of Soviet Socialist Republics and the Democratic Republic of Vietnam). Cuba was added to Annex A in July 1977 (L/4498). Goods originating in Finland, covered by the Agreement between Hungary and Finland on the Reciprocal Removal of Obstacles to Trade, are subject to duty rates laid down in that Agreement. Goods originating in countries which do not accord unrestricted and unconditional most-favoured-nation treatment to goods of Hungarian origin are dutiable at twice the m.f.n. rate or 20 per cent ad valorem, whichever is the greater. However, such duties are not applicable to any country at present.

(Source: Direction of Trade Statistics, IMF)

## The level and binding of m.f.n. duties

13. According to informetion provided by the Government of Hungary, the weighted average level ot m.f.n. duties was 17.2 per cent in 1979 and will be reduced to 10.7 per cent in 1987 in accordance with Hungary's MTN commitments (BOP/W/66). Twenty-two per cent of 1980 imports of products falling within Chapters $1-24$ from m.f.n. and GSP sources have been bound in GATT. The corresponding figure for products falling within Chapters 25-99 excluding petroleum is 96 per cent.

## Current GSP scheme

14. Ninety-two countries are included in the list of GSP beneficiaries, ${ }^{1}$ of which 31 are least-developed countries enjoying duty-free treatment on all products.
15. The Hungarian GSP scheme as of January 1983 covers 73 tariff lines falling within CCCN Chapters $1-24$ and about 1,400 tariff lines falling within Chapters 25-99.
16. Most GSP rates are in the range of $0-10$ per cent. Higher GSP rates of up to 30 per cent apply to a limited number of products. These GSP rates have no quantitative limitations.
17. Hungary applies the common rules of origin of Eastern European GSP schemes.

Changes in GSP
18. The Hungarian GSP scheme, introduced in 1972, was significantly improved in 1974 and 1978 by reducing GSP rates, broadening the product coverage and increasing the number of beneficiary countries (cf. L/4106 and Add.1). The improvements made with effect from 1 January 1978 included the following:
(1) the extension of GSP coverage to 705 new products including certain products of textile and machine industries and tropical products;
(ii) introduction of 769 new GSP rates including 369 zero rates;
(iii) duty-free treatment for imports of all products originating in and imported directly from least-developed countries.
19. With effect from 30 November 1980 , some 100 items, mostily in the industrial sector, have been added to the Hungarian GSP scheme and GSP rates have been reduced for several items (cf. L/5141). Effective 1981, six items have been added to the scheme (cf. L/5141/Add.1).

[^0]20. During the period 1978-1982, Thailand, Grenada, Mozambique and Zimbabwe were added to the list of GSP beneficiaries and Bhutan, Comoros, Western Samoa, Cape Verde and Guinea-Bissau were added to the list of least-developed countries (cf. L/5141/Add.1).
21. The Hungarian GSP scheme has been stable, with no reported negative changes.

## Dutiable tariff items of export interest to developing countries

22. Table 3 provides a summary of m.f.n. dutiable tariff lines of export interest to developing countries, not covered by duty-free treatment under GSP. In addition, the Annex provides detailed tariff and trade flow data with respect to these tariff lines. The products covered by Table 3 represent approximately two-thirds of Hungarian imports from GSP beneficiary countries excluding petroleum.
23. Among the product groups listed in Table 3, coffee is the most important item for developing countries, accounting for 37 per cent of total imports of the listed products from the GSP beneficiary countries in 1980. The remaining 63 per cent are shared by other agricultural products (tea, spices, oranges, frozen or preserved fish, raisins, preserved fruit, instant coffee, etc.) - 14 per cent, textiles and clothing - 20 per cent, and miscellaneous industrial products (aluminium oxide, bovine leather, wood railway sleepers, ferro-alloys, iron cables, etc.) - 29 per cent.
24. Table 3 also shows that GSP beneficiaxy countries accounted for 56 per cent of total imports of the listed products, consisting of GSP covered imports - 49 per cent, imports covered by LDC treatment -5 per cent ${ }^{2}$, and imports under m.f.n. treatment -2 per cent. M.f.n. sources accounted for 30 per cent, and the Eastern Trading Area, 14 per cent.

SECTION III: Imports according to economic groupings, product groups and tariff treatment
25. Table 4 shows 1980 imports of Hungary according to economic groupings and tariff treatment. In 1980 total imports of Hungary amounted to $\$ 9.2$ billion, of which imports of products falling within CCCN Chapters 1-24 amounted to $\$ 0.8$ billion or 9 per cent, imports of petroleum, $\$ 0.9$ billion or 10 per cent, and imports of other products falling within Chapters $25-99$, $\$ 7.5$ billion or 81 per cent. Of imports of products falling within Chapters $1-24,51$ per cent were supplied by GSP beneficiary developing countries, 31 per cent by m.f.n. sources and 14 per cent by the Eastern Trading Area. Of imports of products falling within Chapters 25-99 excluding petroleum, 3 per cent were supplied by GSP beneficiary developing countries, 44 per cent by m.f.n. sources, 51 per cent by the Eastern Trading Area and 1 per cent by Finland.

[^1]TABLE 3

## Hungary - M.f.n. dutiable tariff lines of interest to developing countries

Among m.f.n. dutiable tariff lines, not covered by duty-free treatment under the GSP, this table covers those in respect of which imports from GSP beneficiary countries exceeded $\$ 500,000$ or accounted for more thar 20 per cent of imports from all sources in 1980.
Notes: 1.
and trade flow data for the tariff lines covered by this table are provided in Annex 1.

| CCCN Chapter | Product group | ```Number of tariff lines``` | Imports in 1980 (\$'000) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | *Total | MF'N sources | GSP beneficiary countries |  |  | Other sources |  |
|  |  |  |  |  | $\begin{gathered} \text { MFN } \\ \text { treatment } \end{gathered}$ | $\begin{gathered} \text { GSP } \\ \text { covered } \end{gathered}$ | LDC <br> treatment | Eastern trading areia | Finland |
| 0901 | Coffee, unroasted | 1 | 168,340 $100 \%$ | - | - | 161,514 $96 \%$ | $6,7788^{+}$ $4 \%$ | 48 | - - |
| 03-22 | Other agricultural products | 26 | $\begin{array}{r} 64,459 \\ 100 \% \end{array}$ | 23,373 $36 \%$ | 2,941 $5 \%$ | 25,869 $40 \%$ | 59 | 12,121 $19 \%$ | 96 |
| 50-61 | Textiles and clothing | 24 | 89,356 $100 \%$ | 36,691 $41 \%$ | 486 | 18,861 $21 \%$ | - | 33,105 $37 \%$ | 213 |
| $\begin{aligned} & 25-44 \\ & 68-91 \end{aligned}$ | Miscellaneous industrial products | 18 | $\begin{array}{r} 128,878 \\ 100 \% \end{array}$ | $\begin{array}{r} 75,203 \\ 58 \% \end{array}$ | 6,320 $5 \%$ | 13,109 $10 \%$ | $14,628^{* *}$ $11 \%$ | 16,320 $13 \%$ | 81 |
|  | TOTAL | 69 | $\begin{array}{r} 451,033 \\ 100 \% \end{array}$ | 135,267 $30 \%$ | 9,747 $2 \%$ | 219,353 $49 \%$ | 21, 465 | 61.594 $14 \%$ | 390 |

[^2]Imports in 1980 according to economic groupings and tariff treatment

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| (\$ million) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ```Sources of imports \\ Tariff treatment``` | Total | MFN sources | GSP <br> beneficiaries | Other sources |  | ```Unspeci- fied origin``` |
|  |  |  |  | $\begin{aligned} & \text { Eastern } \\ & \text { trading } \\ & \text { area } \end{aligned}$ | Finland |  |
| Total imports | 9,228 | 3,572 | 857* | 4,608 | 100 | 91 |
| CCCN Chapters 1-24 | 797 $100 \%$ | 247 | $\begin{aligned} & 404 \\ & 1000 \end{aligned}$ | 112 | 1 | 33 |
| MFN 0\% bound | 35 48 | 29 | 1\% | 1 | - | - |
| MFN dutiable (bound or unbound) and $0 \%$ unbound | $\begin{gathered} 762 \\ 96 \% \end{gathered}$ | 218 | $\begin{array}{r} 400 \\ 99 \% \end{array}$ | 110 | 1 | 33 |
| Covered by GSP | 272 | - | 272 | - | - | - |
| Covered by LDC treatment | 348 | - | $67 \%$ | - | - | - |
| Covered by MFN treatment ${ }^{\text {a }}$ | $1 \%$ 350 | 218 | 1208 | 11 | - | - |
| Other sources (Eastern trading area, Finland) | $44 \%$ 107 $13 \%$ |  | 300 | 100 | 1 | - |
| CCCN Chapters 25-99 exc. petroleum | 7,518 | 3,280 | 257 $100 \%$ | 3,826 | 98 | 57 |
| MFN $0 \%$ bound | $1,766$ | 588 | 83 $32 \%$ | 999 | 51 | 45 |
| MFN dutiable and 0\% unbound | 5,752 | 2,691 | 174 $68 \%$ | 2,827 | 48 | 12 |
| Covered by free-trade arrangements | $\begin{array}{r} 2,853 \\ 38 \% \end{array}$ | - | 68\% | 2,807 | 46 | - |
| Covered by GSP | $145$ | - | 145 | - | - | - |
| Covered by LDC treatment | $\begin{array}{r} 22 \\ 18 \end{array}$ | - | 57\% | - | - | - |
| $\text { Other (MFN treatment) }{ }^{\text {a }}$ | $\begin{array}{r} 2,724 \\ 36 \% \end{array}$ | 2,691 | 7\% 717 | 20 | 2 | _ |
| Petroleum (CCCN 2709, 2710) | 913 | 45 | 196 | 670 | 1 | 1 |

a : Including imports of duty-free items unbound or bound at positive rates (ceiling binding).
*For techniral reasons, Cuba, whjech has been added to the list of the Eastern Trading Area, is included in data for $\operatorname{GSP}$ beneficiaries in this table. In 1980 Hungarian imports from Cuba amounted to $\$ 26$ million (Chapters $1-24: \$ 3 \mathrm{million}$ and Chapters 25-99: $\$ 23$ million).
(Source: 1980 Tariff Study files)
26. Import data according to tariff treatment irrespective of the sources of imports show that with respect to products falling within Chapters 1-24, bound m.f.n. duty-free items accounted for 4 per cent of the total. The remaining 96 per cent comprised dutiable items (bound and unbound) and unbound duty-free items. The latter are broken down into imports subject to m.f.n. treatment from whatever sources - 44 per cent, imports from the Eastern Trading Area - 13 per cent, imports covered by GSP - 34 per cent, and imports covered by least-developed country treatment - 1 per cent. With respect to products falling within Chapters $25-99$, bound m.f.n. duty-free items accounted for 23 per cent of the total. The remaining 77 per cent comprised dutiable items and unbound duty-free items. The latter are broken down into imports subject to m.f.n. treatment from whatever origin - 36 per cent, imports from the Eastern Trading Area and Finland 38 per cent, and imports covered by GSP - 2 per cent.
27. With regard to agricultural imports from GSP beneficiary developing countries, bound m.f.n. duty-free items accounted for one per cent of the total. The remaining 99 per cent consists of imports covered by GSP - 67 per cent, imports covered by least-developed country treatment - 2 per cent, and imports subject to m.f.n. treatment, not covered by GSP duty-free treatment - 30 per cent. With regard to industrial imports from GSP beneficiary developing countries, bound m.f.n. duty-free items accounted for 32 per cent. The remaining 68 per cent consists of imports covered by GSP - 57 per cent, imports covered by least-developed country treatment 7 per cent, and imports subject to m.f.n. treatment - 4 per cent.

SECTION IV: Quantitative Restrictions and other non-tariff measures Import Restrictions
28. All imports and exports of Hungary are subject to licensing. Licences are issued by the Licensing Department of the Ministry of Foreign Trade.
29. Apart from imports of consumer goods from convertible currency sources, import licensing is not restrictive. Its main purposes are to ensure that only authorized enterprises and companies engage in foreign trade, and to maintain statistical surveillance. The licensing system is also used for the regulation of imports for balance of payments reasons, and as an instrument of trade policy in relation to other countries applying quantitative restrictions not consistent with Articls XIII of the General Agreement towards Hungarian exports.
30. Import licences may be global or Individual and, unless otherwise specified, are valid until the end of the calendar year for which they are issued. Global licences can be used to conclude several contracts while individual licences are limited only to one contract. Both types of 1icence entitle importation from any country. A fee equivalent to 2 per cent of the forint value of the licenced import is levied. Licences issued entitle importers to purchase foreign currency up to the amount given in the licence, in accordance with foreign exchange regulations.
31. Imports of consumer goods from convertible currency sources are subject to global quotas. The dollar value of quotas published annually in the Foreign Trade Gazette is not broken down by countries or by importers. Licences are granted immediately, in the order of arrival of applications, until the quota is used up. Unused allocations are not automarically added to the quota for the next year. Licences are applied for by foreign trade enterprises or companies according to their sphere of activity.
32. Global quotas for imports of consumer goods imported from convertible currency sources by main product groups in 1981, 1982 and 1983 were as follows:

|  |  | In million US |  |
| :--- | :---: | :---: | :---: |
| Quotas | 1981 | 1983 |  |
| Foodstuffs and beverages | 15 | 31 | 28 |
| Chemicals used for household <br> Clothing <br> Technical goods for consumer use <br> and ironware <br> Cultural items and others | 8 | 6 | 5 |
| Total | 31 | 25 | 23 |

(Global quotas published in Foreign Trade Gazette 1981/14, 1982/12, 1983/4).
33. Under the balance-of-payments provisions of GATT, Hungary applies an import quota system for certain primary and manufactured goods and a surcharge on imports of components. The list of products subject to quotas is published with volume or value in a separate Communication from the Ministry of Foreign Trade. Applications for licences are processed in the order of their submission, up to the exhaustion of the quotas, in a non-discriminatory manner.
34. The importation of components is subject to the payment of a surcharge which amounts to 20 per cent of customs value. Surcharges may not be passed on in the form of higher prices to the consumer but must be absorbed by the importing enterprises themselves. The components surcharge is paid on products of the machine, plastics and rubber industries, imported from convertible currency sources, whether for use as spare parts, for incorporation into manufactured products or for direct sale.
35. Import quotas applied for balance-of-payments proposes in 1983 have been listed in Table 5. The tariff line numbers of products subject to payments of the components surcharge are listed in Table 6.

## Textile trade: trade flows and restrictive measures

36. The data contained in Table 7 show that exports of both textiles and clothing from Hungary expanded significantly in current price terms between 1973 and 1980, but fell in 1981. In the case of textiles, exports increased from $\$ 147.42$ million in 1973 to $\$ 248.48$ million in 1980 , and then fell to $\$ 241.57$ million in 1981. The corresponding figures for clothing were $\$ 204.85$ million in $1973, \$ 343.48$ million in 1980 , and a reduction to $\$ 323.24$ million in 1981. Hungary's imports of textiles and clothing also increased markedly between 1973 and 1981, although there were slight reductions in the value of imports in 1979. Textile imports rose from $\$ 123.98$ million in 1973 to $\$ 317.27$ million in 1981 , and clothing imports increased from $\$ 34.72$ million to $\$ 126.13$ million over the same period.
37. The developed country share of Hungary's imports of textiles ranged between 51.32 per cent and 65.05 per cent during the years shown in Table 7. In the case of clothing, the developed country share ranged from 21.63 per cent in 1973 to 4.0 ] per cent in 1979. The share of Hungary's imports of textiles supplied by developing countries has varied from 15.51 per cent in 1979 to 30.04 per cent in 1981 . For clothing, the developing country share ranged from 29.40 per ent in 1973 to 44.81 per cent in 1981.
38. Hungary, in the context of import measures taken for balance-of-payments purposes, maintains quantitafive restrictions on the importation of some textiles and clothing items. Hungary is a member of the MFA. She has not entered into any bilateral agreements under the MFA with developing countries.
39. Tariff and trade flow data at the tariff line level in respect of textile and clothing items of major interest to developing countries imported into Hungary may be seen in the Annex.

Safeguard, anti-dumping and countervailing duty actions
40. There are no outstanding Article XIX actions taken by Hungary. Furthermore, Hungary has not taken any anti-dumping or countervailing duty actions.

Other non-tariff measures
41. No measures have been notified specifically against Hungary in the context of the inventories maintained by the Non-Tariff Measures and Agriculture Divisions.

TABLE 5

## Import quotas for 1983

|  | 84.51 | Office equipment and requisites | 120 M Ft |
| :---: | :---: | :---: | :---: |
|  | 84.52 |  |  |
|  | 84.53 |  |  |
|  | 84.54 |  |  |
| ex | 32.02 | Aniline colours, auxiliary chemical materials | $2,000 \mathrm{M} \mathrm{Ft}$ |
| ex | 32.03 | for the textile, leather and fur industries |  |
| ex | 32.05 |  |  |
| ex | 38.12 |  |  |
| ex | 40.11 | Motor vehicle tyres | 75,000 pcs. |
|  |  | of which: tyres for passenger motorcars and for trucks size $7 \times 9$ | $30,000 \text { pcs. }$ |
|  |  | tyres for lorries, buses and other trucks | 45,000 pcs. |
| ex | 39.02 | PVC powder and hard granules | 8 kt |
| ex | 39.02 | Polystyrene and styrene copolimers | 16 kt |
|  | 31.01 | Fertilizers/in active ingredient | 12 kt N |
|  | 31.02 |  | $140 \mathrm{kt} \mathrm{P}_{2} \mathrm{O}_{5}$ |
|  | 31.03 |  | $8 \mathrm{kt} \mathrm{K} 2 \mathrm{O}^{2}$ |
|  | 31.04 |  |  |
| ex | 38.11 | Plant protection chemicals and their | 2,500 M Ft |
| ex | 29.35 | active ingredients |  |
|  | 48.01 | Paper, cardboard | 98 kt |
| ex | 48.03 |  |  |
|  | 48.04 |  |  |
|  | 48.05 |  |  |
|  | 48.07 |  |  |
| ex | 23.01 | Protein fodder of animal and | 670 kt |
| ex | 23.06 | vegetable origin |  |
| ex | 23.07 | Fodder concentrate | 5 kt |
| ex | 28.40 | Animal feed phosphate | 75 kt |
| ex | 25.10 | Chemicals intended for use as feed | 1,500 M Ft |
| ex | 28.22 |  |  |
| ex | 28.23 |  |  |
| ex | 28.38 |  |  |
| ex | 29.38 |  |  |
| ex | 30.03 |  |  |
| ex | 35.07 |  |  |
| ex | 38.11 |  |  |
| ex | 39.01 |  |  |
| ex | 39.02 |  |  |
| ex | 39.03 |  |  |
| ex | 39.04 |  |  |
| ex | 39.05 |  |  |

Imports subject to payment of the components surcharge

| ex | 73.27 |  | 85.06-02 |
| :---: | :---: | :---: | :---: |
| ex | 73.32 | ex | 85.11 |
| ex | 74.11 | ex | 85.13 |
| ex | 74.15 | ex | 85.15 |
| ex | 75.06 | ex | 85.18 |
| ex | 76.16 | ex | 85.19 |
| ex | 82.02 | ex | 85.21 |
| ex | 82.03 | ex | 85.23 |
| ex | 82.04 | ex | 85.25 |
| ex | 82.05 | ex | 85.26 |
|  | 82.07 | ex | 86.09 |
| ex | 84.01 | ex | 87.06 |
| ex | 84.10 | ex | 90.16 |
| ex | 84.12 | ex | 90.17 |
| ex | 84.17 | ex | 90.18 |
| ex | 84.22 | ex | 90.20 |
|  | 84.23-17 | ex | 90.22 |
|  | -20 | ex | 90.23 |
|  | 84.23-32 | ex | 90.24 |
|  | -99 | ex | 90.25 |
| ex | 84,31 | ex | 90.28 |
| ex | 84.33 |  |  |
| ex | 84.34 |  |  |
| ex | 84.35 |  |  |
| ex | 84.38 |  |  |
| ex | 84.44 |  |  |
| ex | 84.48 |  |  |
| ex | 84.49 |  |  |
|  | 84.55 |  |  |
| ex | 84.61 |  |  |
|  | 84.62 |  |  |

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## $\frac{\text { Textiles and Clothing Imports }}{\text { Million US }}$

|  |  | 1973 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Total Exports | Textiles | 147.42 | 172.07 | 184.57 | 196.87 | 208.96 | 248.46 | 241.57 |
|  | Clothing | 204.85 | 206.81 | 254.12 | 292.94 | 338.36 | 343.48 | 323.24 |
| Total Imports | Textiles | 123.98 | 172.86 | 209.15 | 242.14 | 228.64 | 280.75 | 337.27 |
|  | Clothing | 34.72 | 47.88 | 72.16 | 88.18 | 84.88 | 104.11 | 126.13 |
| Imports from Developed countries | Textiles | 63.63 | 99.72 | 113.48 | 150.79 | 148.72 | 171.01 | 179.55 |
|  | \% share in total imports | 51.32 | 57.69 | 54,26 | 62.27 | 65.05 | 60.91 | 56.59 |
|  | Clothing | 7.51 | 4.09 | 5.02 | 4.69 | 3.40 | 8.97 | 12.24 |
|  | \% share in total imports | 21.63 | 8.54 | 6.96 | 5.32 | 4.01 | 8.62 | 9.70 |
| Imports from Developing countries | Textiles | 33.54 | 36.15 | 39.55 | 40.64 | 35.47 | 71.37 | 95.31 |
|  | \% share in total imports | 27.05 | 20.91 | 18.91 | 16.78 | 15.51 | 25.42 | 30.04 |
|  | Clothing | 8.82 | 20.74 | 29.10 | 36.49 | 32.14 | 42.35 | 56.52 |
|  | \% share in total imports | 25.40 | 43.31 | 40.33 | 41.38 | 37.87 | 40.68 | 44.81 |

## SECTION V: Other trade policy aspects

## Structural Adjustment Policies

42. Information in regard to structural adjustment policies and developments in Hungary, submitted by Hungary to the Working Party on Structural Adjustment and Trade Policy, is contained in document Spec (82) 6/Add. 2 .
43. Information in regard to structural adjustment measures and developments in the textiles sector, submitted by Hungary to the Working Group on Adjustment Measures appointed by the Textiles Committee, is contained in documents COM.TEX/16 and Add. 3 and COM.TEX/21.

## Agricultural Policy

44. Hungary submitted a general statement on agricultural policy in connection with the updating of the Inventory on Non-Tariff Measures in the field of agriculture. This statement may be found in document AG/DOC/1/HUN/I.

## Participation in International Commodity Agreements

45. Hungary is a member of the international commodity agreement on cocoa, as an importing country, and on sugar as an exporting country. Hungary is also a member of the international agreements on dairy products and meat.

## Regional Trade Arrangements

46. As indicated earlier, paragraph 3 of the Protocol of Accession to the General Agreement permits Hungary to maintain its existing trading regulations with respect to products originating in or destined for the countries listed in Annex A of the Protocol (Albania, Bulgaria, Czechoslovakia, German Democratic Republic, Democratic People's Republic of Korea, Mongolia, People's Republic of China, Poland, Romania, USSR and Democratic Republic of Vietnam). Hungary undertook that its trading regulations or any change in these regulations, or any extension in the list of countries in Annex A, would not impair her commitments, discriminate against or otherwise operate to the detriment of the contracting parties. Pursuant to paragraph 6 of the Protocol of Accession, a working party carries out a biennial review of the operation of the Protocol and the evolution of reciprocal trade between Hungary and the contracting parties (BISD 20S/3).

[^3]47. !ungary is a member of the Council for Mutual Economic Assistance (CMEA). Economic co-operation among interested CMEA member countries is carried out inter alia under the Comprehensive Programme for the Further Extension and Improvement of Cooperation and the Development of Socialist Economic Integration. In recent years co-operation in planning has taken the form of concerted plans of multilateral integrated measures of CMEA member countries and long-term specific programmes of co-operation (LSPC). The main goal of LSPCs is to meet a part of the requirements of the member countries in specified goods in the field of energy, fuel, raw materials, food products, industrial goods, means of production and advanced technology. As a follow-up to the Comprehensive Programme, the LSPCs determine the co-ordinated strategy for co-operation between CMEA member countries for the period up to 1990 and provide the member countries with targets for the joint solution of a number of key national economic tasks in the current decade. CMEA member countries thus have co-ordinated their national economic plans in the fields concerned, and elaborated a concerted plan of multilateral integrative measures as well as bilateral long-term programmes of industrial specialization and co-operation for 1981-1990. In addition, any non-member country may participatye fully or partially in the implementation of the Comprehensive Programme.
48. Trade between the CMEA member countries is based on long term trade agreements as well as annual protocols on commodity turnover which are concluded on the basis of the coordination of the countries' national economic plans. A set of measures for the systematic regulation of the CMEA countries' reciprocal foreign trade has been worked out and implemented by the CMEA bodies and member countries. These measures include the legal regulation of foreign trade on the basis of long term trade agreements and annual protocols on commodity turnover, the general principles of price formation, the general conditions for the delivery of commodities, technical maintenance and installation of equipment, deliveries of spare parts, and the procedure for balancing commodity turnover and settlements. Work is proceeding to improve and standardize foreign trade documents; chambers of commerce are co-operating closely, as are market research institutes, foreign trade organizations, and other firm:; and establishments involved in foreign trade.
49. The largest portion of Hungary's trade and financial settlements with the member countries of the CMEA is settled in transferable rubles ${ }^{3}$ and with Albania and the Democratic People's Republic of Korea in clearing rubles.

[^4]50. Most trade with member countries of the CMEA, Albania, and the Democratic People's Republic of Korea is conducted under bilateral agreements negotiated annually within the framework of five-year bilateral trade and payments agreements. Trade within this framework takes place at prices fixed in the annual bilateral agreements, on the basis of quotas representing delivery obligations, with determined conditions of delivery. Exemptions from customs duties apply to these imports from member countries of the CMEA, Albania and the Democratic People's Republic of Korea, when settled in non-convertible currencies. Imports settled in convertible currencies are subject to customs duties.
51. In 1981, Hungary's deficit on trade dealings settled in rubles amounted to 448 million rubles while intra-CMEA trade dealings settled in dollars showed a surplus of US $\$ 708$ million. Approximately 55 per cent of total Hungarian imports were effected against payment in convertible currencies.
52. Under the Trade Protocol for 1983 which Hungary and the USSR signed in Moscow in January 1983, their trade will exceed that of 1982 and amount to more than 8,000 million rubles. In 1983 Hungary will receive Soviet metal-cutting lathes, mining equipment, computers, road-building machines, tractors, lorries and cars. Soviet deliveries will cover as usual a large part of Hungarian needs in basic fuels and raw materials, including oil and oil products, natural gas, electricity, iron ore, timber. The USSR will continue to deliver to Hungary industrial consumer goods, such as refrigerators, washing machines, watches, cameras, vacuum cleaners and other household items. An important place in Hungary's exports to the Soviet Union will be occupied by telecommunications equipment, computers, electrical engineering equipment, buses, gantry and floating cranes. The protocol also provides for increased Hungarian exports for the agro-industrial complex (equipment for the food industry, poultry and cattle-breeding complexes, agricultural machinery, toxic chemicals), foodstuffs and industrial consumer goods (fabrics, footwear, garments. knitwear).
53. In recent years, a number of counter trade transactions between interested Hungarian enterprises and a number of foreign trading paitners, including those of the developing countries, has been reported. These transactions have taken the form of barter transactions, compensation deals such as counter purchases, linkage deals, buy-back arrangements etc.

## SECTION VI: Trade with the Least-Developed Countries

54. Table 8 anelyses Hungary's trade with the least-developed countries over the period 1980/1981. It shows that in 1980 Hungary's imports from the LDCs amounted to 33.2 million US\$ representing 0.36 per cent of its total imports compared with exports of 50.1 miliion USS representing 0.58 per cent of total exports. In 1981 Hungary's imports from the LDC's fell to 8.6 million US\$ representing 0.09 per cent of total imports compared with exports to these countries of 34.8 million US\$, representing

## TABLE 8

TRADE OF HUNGARY WITH THE LEAST-DEVELOPED COUNTRIES 1980/1981
(million US\$)

|  | Imports |  |  | Exports |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Total imports | $\begin{aligned} & \text { Imports } \\ & \text { from LDCs } \end{aligned}$ | \% share of LDCs in total imports | Total exports | $\begin{aligned} & \text { Exports } \\ & \text { to LDCs } \end{aligned}$ | \% share of LDCs in total exports |
| 1980 | 9,218.6 | 33.2 | 0.36 | 8,637.9 | 50.1 | 0.58 |
| 1981 | 9,158.9 | 8.6 | 0.09 | 8,725.5 | 34.8 | 0.40 |

0.40 per cent of total exports. Table 9 shows that considered over the period 1980/1981, the main imports of Hungary from the LDCs were raw materials and semi processed materials such as aluminium oxide, asbestos, natural calcium phosphates, raw cotton, raw hides and skins, sheep and lamb skin leathers, raw jute, yarn of jute, raw furskin, lacs, natural gums and resins, as well as beverages such as coffee and tea. The main manufactured products which Hungary imported from the LDCs were woven fabrics of cotton and sacks and bags for packing goods. The main LDC trading partners of Hungary are shown in Table 10.

## Tariff Treatment

55. Under the special treatment in favour of the least-developed countries within the framework of its GSP scheme, Hungary accords dury-free access to all imports from these countries without any quantitative restrictions.

TABLE 9
MAIN IMPORTS OF HUNGARY FROM LEAST-DEVELOPED COUNTRIES 1980-1981

| (000'US\$) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| CCCN Heading | Product Description | Suppliers ${ }^{1}$ | $\begin{aligned} & \text { Amount o } \\ & 1980 \end{aligned}$ | f Imports |
| 08.13 | Peel of melon and citrus fruits | HTI | 7.1 | 33.4 |
| 09.01 | Coffee | BDI, RWA, LAO | 6756.8 | 288.6 |
| 09.02 | Tea | BGD | 48.9 | 179.5 |
| 12.07 | Parts of plants, trees bushes etc. for use in períumery \& pharmacy | SDN | - | 9.2 |
| 13.02 | Lacs, natural gums and resin | SDN | 29.19 | 25.6 |
| 23.04 | Oilcake and residues from extraction of vegetable oils | SDN | 22.3 | - |
| 25.10 | Natural calcium phosphates | TGO | - | 995.5 |
| 25.24 | Asbestos | BWA | 4657.9 | 1737.2 |
| 27.10 | Petroleum products | YEM, ETH | 15.3 | - |
| 28.20 | Aluminium oxide | GIN | 14580.5 | - |
| 41.01 | Raw hides and skins | AFG, ETH, SOM <br> BWA, YEM | 710.0 | 934.5 |
| 41.03 | Sheep and lamb skin leather | ETH, TZA | 900.2 | 1828.3 |
| 43.01 | Raw furskin | BGD | 332.4 | - |
| 43.03 | Article of furskin | AFG | - | 25.1 |
| 55.01 | Raw cotton | SDN, TZA | 3367.3 | - |
| 55.09 | Woven fabrics of cotton | BEN | - | 201.3 |
| 57.03 | Raw jute | BGD | 1424.6 | 601.6 |
| 57.06 | Yarn of jute | BGD | - | 208.8 |
| 62.03 | Socks and bags for packing of goods | BGD | 228.2 | 1535.8 |

${ }^{1}$ See 1 ist of country abbreviations in Annex $I$.

## TABLE 10

MAJOR TRADING PARTNERS OF HUNGARY AMONG THE LEAAST-DEVELOPED COUNTRIES 1980-81
(000' US\$)


## ANNEX <br> SELECTED DUTIABLE ITEMS OF INTEREST TO DEVELOPING COUNTRIES TARIFF AND TRADE FLOW DATA AT THE TARIFF LINE LEVEL <br> Explanatory Notes


#### Abstract

With respect to selected tariff items of Hungary, the tabulations attached provide information at the tariff line level on different tariff treatment (MFN, GSP, LDC, etc.) and the corresponding trade flows. Import figures refer to the year 1980. In the first line, tariff item number, product description, and quantity unit are indicated.


## TARIFFS

## Column TYPE OF DUTY

```
MTN-B: Base rate for the Tokyo Round (pre-Tokyo Round m.f.n. rate)
MTN-F: Final rate (post-Tokyo round m.f.n. rate)
MFN 80: M.f.n. rate applicable in 1980
GSP-B: GSP rate as of 1 January 1983.
LDC-B: Rate applying to least-developed countries (free)
FTA: Rate applying to countries in the Eastern Trading Area.
PREF }1\mathrm{ Rates applicable to Finland under the Agreement between
    Hungary and Finland on the Reciprocal Removal of Obstacles
    to Trade.
```


## Column RATE

Ad valorem rates are indicated. There is no specific duty in Hungary.
Column BDG $=$ binding status (blank for ordinary binding)
C for ceiling binding;
$U$ for an unbound rate.

## TRADE FLOW DATA

IMPORTS FROM (i) WORLD ( = all sources) and (ii) GSP ORIGIN ( = GSP beneficiary countries) are each sub-divided by TOT ( = total imports irrespective of tariff treatment), MFN ( = imports for m.f.n. treatment), GSP (imports covered by GSP), LDC (imports entitled to LDC preference) and FTA, PREF 1. It may be noted that "imports covered by GSP" do not take into account non-utilization of GSP and that imports actually accorded GSP treatment are smaller than imports covered by GSP. Cuba, which has been added to the Eastern Trading Area, appears under GSP ORIGIN for technical reasons.

With respect to imports from world and imports according to different tariff treatment, names of five main suppliers appear in column MAIN SUPPLIERS. See next page for country name abbreviations.

SHARE for the percentage share of GSP beneficiary countries in imports from world
V for value in $\$ 1,000$
? for quantity




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Textiles and clothing









[^0]:    ${ }^{1}$ GATT member countries or territories enjoying GSP treatment in one or more developed country markets but not enjoying the Hungarian GSP scheme include: Cyprus, Hong Kong, Israel, Republic of Korea, Kuwait, Malta, Spain, Suriname, Turkey and Yugoslavia.

[^1]:    Tariff rates on coffee: unroasted -m.f.n. 30 per cent, GSP iO per cent; roasted - m.f.n. 50 per cent, no GSP.
    ${ }^{2}$ Mostly imports of aluminium oxide and hydroxide from Guinea

[^2]:    * Trports of aluminium oxide and hydroxide (CCON 2820) from Guinea.
    ${ }^{+}$Imports from Burundi and Rwanda.

[^3]:    ${ }^{1}$ The notification of the inclusion of Cuba appears in $L / 4498$.
    2 The last report of the Working Party on trade with Hungary appears in L/5303. Foreign trade statistics were circulated in $\mathrm{L} / 5201$ and Add. 1 .

[^4]:    ${ }^{1}$ Members of the CMEA are Bulgaria, Cuba, Czechoslovakia, German Democratic Republic, Hungary, Mongolia, Poland, Romania, USSR and Democratic Republic of Vietnam.

    2
    ${ }^{2}$ The CMFA has signed co-operation agreements with Yugoslavia, Finland, Iraq and Mexico.

    The transferable ruble is a multilateral system of settlements covering all types of commercial and non-commercial payments, and a system of shrit, medium, and long term credits.

