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Statement by Mr. Janos Nyerges, Special Representative
of the Hungarian Government to the International Economic
Organizations, at the Council Meeting on 23 July 1969

Three years have elapsed since Hungary began following as an observer some of the fields of activity of GATT. Now I have the honour to present my Government's application for full accession to the GATT. Based on the experience gained hitherto I am very glad to state that these three years have proved that a closer co-operation with the contracting parties in the framework of GATT could help mutual trade relations for the benefit of every party concerned. On the basis of this conviction the Hungarian Government has decided to table its application for full membership to the GATT. From this it follows that our interest in the membership of GATT is a practical one. A large amount of our trade turnover - about 50 per cent - is carried on with the contracting parties and foreign trade represents nearly 40 per cent of the gross national product of Hungary.

We face a number of serious problems in this trade for which we are seeking solutions not only by bilateral negotiations but also by multilateral arrangements. It would be too lengthy to enumerate all these problems. Let me mention a few of them, the most important ones, such as full implementation of the principle of equality and mutual advantages among trade partners irrespective of their economic and social system. Some practical aspects as the non-discriminatory application of quantitative restrictions deserve our special interest. Trade policy problems related to measures of the European Economic Community in the agricultural field are also of great importance to my country's trade with the contracting parties. Since all these questions are under constant review and debate, our accession to GATT could enable us, so we hope, to seek practical solutions.

Our country's share in world trade is not very significant. Nevertheless we believe that our active interest in the work of the CONTRACTING PARTIES would help us to eliminate some misunderstandings and obstacles to the trade with our country. Hungary's socialist planned economy system has enabled us to reach an appreciable degree of economic development both in the industrial and agricultural fields.

Before entering into details of this intervention, I would like to outline in a few words the history of our economic development.

Before the Second World War, Hungary was an industrially underdeveloped agricultural country with significant agricultural exports. Hungary is poor in natural resources. Before World War II the major part of Hungary's foreign trade was realized with the same neighbouring countries which are now our socialist trading partners, members of the COMECON.

After World War II, during the past twenty-four years, the Hungarian economy has developed to a very great extent. Now Hungary is an industrial/agricultural country at the medium level of development, and the socialist planning system ensured - mainly in the first period of these twenty-four years - a fast development. In the late fifties and in the succeeding years it became evident that under the traditional economic management system, our development could not be as efficient as was necessary, and the realization of this led to the introduction of the new economic management system.

The Hungarian People's Republic is a planned economy country. The reform introduced on 1 January 1968 aims to replace the previously employed administrative directives by economic regulators. The Government's economic policy is practically expressed in the medium-term, five-year plans. Hungary has also long-term and annual plans. Whereas long-term planning sets the broad development targets, the annual estimates are only indicators helping to adopt consistent measures of economic policy.

The Hungarian enterprises are corporate bodies managing independently the assets entrusted to them. These enterprises have full autonomy to decide what to produce and how much, where to buy and where to sell.

Foreign trade is a State monopoly in Hungary. Foreign trade activities can be pursued by any enterprise authorized by the competent State organs.

Factors affecting foreign trade conditions are:

- (a) direct correlation between domestic and foreign prices ensured by price multipliers;
- (b) import duties introduced by the new commercial customs tariff on 1 January 1968;
- (c) export and import licences, the latter global or individual. An import licence grants the right to purchase the necessary foreign exchange;
- (d) import deposits, temporarily applied for specified categories of goods (investment goods) imported from free currency areas. These must be financed by the enterprises from their own resources;
- (e) State subsidies of a temporary and degressive character to help enterprises during a transitional period;
- (f) internal taxes, especially turnover taxes applied to consumer goods, identical treatment being given to goods of national and foreign origin;
- (g) price control of a limited scope (fixed prices, maximum prices).

As to Hungary's commercial policy, about two thirds of our trade turnover is carried on with the socialist countries. Hungary's trade with socialist countries and above all the close economic co-operation, based on the principle of complete equality and sovereignty between member countries of the CMEA, is the safeguard of the rapid, harmonious growth of Hungary's national economy.

As to the trade with developing countries, Hungary observes the principles adopted by the United National Conference on Trade and Development and is willing to grant tariff preferences to developing countries in due time and under proper conditions.

Hungary endeavours to expand her trade and economic relations with developed countries of market economy and is willing, provided she receives full reciprocity from the contracting parties, to apply the provisions of GATT.

Having applied for full membership Hungary expects from contracting parties the full observance of the most-favoured-nation treatment as described in GATT and is ready to reciprocate it by the full observance of this most-favoured-nation treatment. One of Hungary's special concerns is connected with the conditions of her agricultural exports to some Western European countries, especially to countries forming the European Economic Community. We hope that within GATT consultations and negotiations could be carried out leading to the satisfactory solution of these problems. When asking for full membership I should like to stress that Hungary does not wish to be treated in any different manner from any of the contracting parties, and is not willing to accept or consolidate any existing discriminatory quantitative restriction applied against her exports.

This is the motivation which has led us to take this step and to apply formally for full accession. Before concluding I should like to thank the contracting parties for their attention and to express my thanks to the secretariat and especially to Mr. Olivier Long, Director-General, for putting our application within such a short period of time on the agenda of the Council.