

GENERAL AGREEMENT ON TARIFFS AND TRADE

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STATEMENT BY THE OBSERVER FOR HUNGARY
TO THE CONTRACTING PARTIES AT THE OPENING MEETING
OF THE TWENTY-FOURTH SESSION, ON 9 NOVEMBER 1967

Taking the floor the first time at the meeting of the CONTRACTING PARTIES of the GATT I would like to express our satisfaction to be present here as observers. As we expressed in our letter asking for an observer status the Hungarian Government is interested in the problems of international trade and wishes to follow the work of the CONTRACTING PARTIES.

Our interest in the work of the CONTRACTING PARTIES of the GATT is a practical one. Foreign trade represents nearly 40 per cent of the gross national product of Hungary. The per capita volume of foreign trade in our country is very high. A large amount of our trade is carried on with the contracting parties.

We face a number of serious problems in this trade, for which we are seeking solutions not only through bilateral negotiations but also through multilateral arrangements. It would be too lengthy to enumerate all these problems. Let me mention the more important ones, such as: full implementation of the principle of equality and mutual advantages between trade partners irrespective of their economic and social system; the non-discriminatory application of quantitative restrictions; and trade policy problems related to measures of the European Economic Community in the agricultural field. Since all these questions are under constant review and debate, our participation as observers could enlighten us and, we hope, enable us to seek practical solutions.

We also follow with great interest the more general aspects of the work of the CONTRACTING PARTIES. Our special attention in this respect is directed to the problem of preferences for the developing countries and to the co-operation of GATT with UNCTAD.

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 economic system has enabled us to reach an appreciable degree of development, both in the industrial and agricultural fields. This development has a very great impact on our foreign trade since every per cent of increase in the gross national product of Hungary involves an increase of 2.5-3 per cent in imports.

It is well-known that Hungary's method of economic management will undergo a reform. It must be stated in this respect that reform will not change the planned character of Hungary's economy; on the other hand, it will enable to decentralize the economic decision-making process, so that considerations of profitability at the level of individual enterprises will play a considerable rôle. It is obvious that these reforms, which will start at the beginning of next year, will have a great impact on our foreign trade. Without going into further details, some features of this reform could be of interest to the CONTRACTING PARTIES. As far as imports are concerned there will be no detailed import plan broken down on a commodity by commodity basis. The decision whether a given commodity is to be imported or not lies with the home consumers who will make their decisions according to economic considerations such as price, quality, delivery terms, financing in terms of foreign currency and of local currency. A more organic link between external and internal prices will facilitate decisions.

Our Government is striving for a gradual liberalization of trade policy. It is obvious, however, that such a trade policy can be fully implemented only after a long transitional period and only if and when some basic requirements are fulfilled, as, for instance, free access to foreign markets without any discrimination, full use of multilateral trade or adequate bilateral arrangements, reasonable security against trade or balance-of-payments difficulties, safeguards for the legitimate interests of home industries and of the internal market. All these considerations are well-known to the CONTRACTING PARTIES since they are embodied in the General Agreement itself.

A special rôle in this respect has to be played by the new Hungarian custom tariff, which is under elaboration and will come into effect on 1 January 1968 by a new governmental decree under the tariff law. The governmental decree in question will regulate the tariffs in a provisional way, and will enable the competent authorities to make, after a transitional period, the necessary adjustments, which may also take into account the results of possible forthcoming negotiations. This new custom tariff will have three columns; one for those countries who are eligible for preferential treatment under internationally accepted conditions, the second will include the most-favoured-nation's treatment in tariffs. The new custom tariff and the other regulations affecting foreign trade will be published in due course. Some of them are already available.

It is the stated aim of the Hungarian Government to carry out the economic reform with consistency and perseverance. It must be noted, however, that the situation in the years from 1968 on, will be a very complicated one. Our not easy task is to implement profound reforms while maintaining economic equilibrium, a sound balance of trade and payments, an adequate rate of growth and last, but not least, the standard of living of the population. It is obvious that introducing at once all the elements of the reform into the economic life of our country will create problems which will require correction during the following years. We are, however, deeply convinced that the reform

will give us an important impetus in the next phase of our development, especially in those sectors of our economic life which could contribute to develop our external economic relations. This development, however, is not only in our hands. Very much will depend on the response of our trade partners to the elements of liberalization and multilateralization in our new economic mechanism.

As far as the scope of our collaboration with the CONTRACTING PARTIES is concerned, we would like to maintain our observer status up to a time when the further development of the situation within this organization permits us to make more substantial decisions. As to the form of a possible collaboration, we are not bound by any pattern and we think that the case of each country should be considered on its own merits. Therefore, we do not think that solutions found in one case should apply automatically to any other. We would like to acquaint ourselves with the work and problems of this body. We are ready to explore in a preliminary way some concrete problems with the view to finding practical solutions taking into account the interest of all parties concerned.