

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Multilateral Trade Negotiations

"GROUP 3(e) - BASIC DOCUMENTATION"

Inventory of Measures and Mechanisms Influencing Exports

Addendum

HUNGARY

State subsidy

Hungary grants State reimbursements to certain enterprises and co-operatives in the case of exports. This State reimbursement has two fundamental objectives:

- a reimbursement, on the one hand, of State taxes, etc. charged on the export products, due to the fact that the competing products on the world market enjoy various export encouragements such as tax exemptions, etc. For the above-mentioned reason this element should be regarded as a lasting one;
- it contains an element of subsidy, on the other hand, when a concrete export is needed for full employment and for the equilibrium of the balance of payments, but if the productivity and efficiency of the exporting enterprise do not come up to the world market level. We consider this element as a temporary and degressive category.

Thus for some enterprises which produce with a loss as compared to the international efficiency calculated by means of the price multiplier, the State refund makes it possible to continue their export activity under defined conditions.

The State refund is not given to export products, but to enterprises, taking into consideration the activity as a whole of the enterprise. The fact that the refund can be obtained for enterprises and not for products, induces the enterprises to develop as economical structure of products as possible. The necessity of refunds is due to the average features of the price multipliers.

Foreign trade price multipliers

Hungary has no convertible currency. An organic relationship ensuring growing automatism has been established between internal and external prices by means of the so-called price multipliers. The foreign trade is effected at price multipliers

being uniform both for export and import. In establishing the price multipliers it was calculated - taking into consideration a longer period - what the average cost in terms of domestic currency (forint) is of the two main foreign currencies (dollar and rouble) at the given commodity structure of Hungarian foreign trade, and at the given commercial terms and prices. The price multiplier does not vary according to countries, to export or to import, to products; there is no discrimination among the contracting parties.

In export, the return from sales was calculated in the case of rouble payment at contractual prices; in the case of dollar payment at the prices prevailing in the foreign trade transactions, taking into consideration the direct and indirect costs of foreign trade operations.

Price policy

The income of enterprises producing for export depends on the external price which can be attained in the foreign market. The producing enterprises get the foreign exchange price of the exported product after having converted it into forint by means of the price multiplier.

Reference: L/3301
L/3426