

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

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TRADE POLICY REVIEW MECHANISM

Trade Policy Review of the Republic of Hungary

Communication from the Discussants

The following communication from the discussants for the trade policy review of Hungary has been received by the Secretariat. It concerns possible points for discussion at the special meeting of the Council on 17-18 April 1991. The points have been drawn up by the discussants in their personal capacity with a view to facilitating the discussions at the special meeting of the Council. It is understood that this communication in no way limits the scope of discussions at the review meeting.

THE REPUBLIC OF HUNGARY

The purpose of the review is to permit the CONTRACTING PARTIES' joint appreciation and evaluation of the trade policies and practices of the Republic of Hungary and their impact on the functioning of the multilateral trading system, account being taken of Hungary's general economic policy and the external environment.

The following points may help to promote a more focused exchange on the major issues dealt with in the documentation supplied by the Hungarian Government and the GATT Secretariat.

1. The Hungarian economy is in a transitional stage. Most of the radical reform measures are introduced only very recently. Hence their transparency, the way in which they are being implemented, and the direction of the reform process are of immediate interest to GATT contracting parties.

2. The discussants of the TPRM reports on the trade policies of Hungary intend to focus their comments and questions on the following policy areas:

A. STATE ADMINISTRATION OF TRADE

How much of the external trade is still undertaken by State-owned enterprises and those under administrative direction? What are the main criteria and guidelines under which trade is conducted by such bodies? Do these enterprises discriminate by source, e.g. by bilateral trade agreements concluded with Hungary?

B. ROLE OF BILATERAL TRADE AGREEMENTS

Hungary has signed bilateral trade agreements with 105 countries. Are they still applicable in the conduct of Hungary's external trade? Are they compatible with the m.f.n. principle of GATT?

C. ADMINISTERED PRICES

Some 10 per cent of all goods sold in Hungary are said to be subject to administered prices. They include basic necessities (household energy, transport and postal services) and several agricultural products. What are the reasons for such administered prices? Are they intended to stabilize the economy and control inflation during the transitional period? Is there any time schedule to phase them out?

D. EXPORT SUBSIDIES

According to the GATT Secretariat report (para. 27 of page xiv), in view of an overvalued forint vis-à-vis convertible currencies, "the ability to earn the foreign exchange required to finance imports from convertible currency sources depended on subsidies on many export products, in particular food items and other agricultural commodities". In the light of the recent policy of real devaluation of the forint vis-à-vis convertible currencies, is there any plan to phase out such export subsidies and administrative import controls?

E. IMPORT LICENSING REQUIREMENTS

Despite a recent reduction in import licensing requirements, a wide range of products is said to be still subject to licensing. Are these import items subject to non-automatic licensing? What are the purposes for such licensing requirements? Are the criteria published? At the same time, a global quota on consumer goods from the market economies is still in place to protect a wide range of Hungarian food products. Is there any plan to phase out these global quotas on consumer goods, or to replace them with tariffs?

F. TRADE RELATIONS WITH EASTERN EUROPE AND THE SOVIET UNION

The Hungarian Government's economic reform programme for the period 1991-93 includes an item "the preservation of Hungary's interests in Eastern European and Soviet markets" (GATT Secretariat report, page xxv, para. 74). How is this objective to be achieved? What trade policy instruments are involved?

G. TARIFFS

Hungary's trade policies are said to be concentrated on providing market orientation. In that new environment, the tariff should become the main price regulator of foreign competition on the domestic market. Is there a particular timeframe set to achieve this? What are Hungary's intentions in terms of binding its customs tariff more fully in order to increase the predictability of market access conditions? How important is the tariff as a source of government revenue?

H. INDUSTRIAL ADJUSTMENT

Short-term foreign exchange pressures are expected to impose some difficult choices by Hungary in terms of satisfying strong import demand from both consumers and industrial enterprises. How serious are the strains of industrial adjustment likely to be as Hungarian enterprises are fully integrated into the world economy?

I. BUSINESS ENVIRONMENT

Hungary is making efforts to become a more attractive place for its trading partners to do business, e.g. fundamental domestic reforms are underway in terms of privatization. Could there be an elaboration of Hungary's foreign investment régime and what its likely evolution might be?

J. EXTERNAL ENVIRONMENT

It is said that the domestic efforts to reform Hungary's economy cannot succeed without a supporting external environment, with special emphasis on improved market access conditions in export markets. Also, Hungary strongly supports the strengthening of non-discriminatory trade rules. Could Hungary provide some precision on its negotiating objectives and priorities in the Uruguay Round? Also, could Hungary comment on the progress achieved in obtaining the removal of discriminatory restrictions still maintained in major export markets?