I would like to take this opportunity to provide information on certain recently adopted legislative changes and economic measures. These steps constitute a part of the Hungarian Government's overall economic reform programme aimed at accelerating the structural adjustment process and increasing the efficiency of the economy. It is expected that the new measures will effectively contribute to the streamlining of the economy by ensuring equal competitive conditions for all economic operators, irrespective of the form of ownership or nationality (be the company Hungarian or foreign-owned). These changes also bring about the phasing-out of previously held special privileges and monopolistic positions in all sectors of the economy.

Let me address first the measures directly affecting foreign trade. Since the beginning of 1988, as has already been notified, any enterprise in Hungary -- including those with foreign participation -- have the statutory right to engage directly in foreign trading activities in respect of any product in the convertible currencies area, with the exception of goods enumerated in a so-called negative list. Trading in goods included in this list of exceptions continues to be subject to prior authorization. Regarding all other products, companies are required only to have themselves registered at the Ministry of Trade. Since the introduction of this measure, a great number of new applicants has been registered, so that at present, 900 enterprises and some 300 private persons deal with foreign trading activities. From the 1st of January 1989, the number of goods included in the list of exceptions has been substantially reduced. The list is now restricted to a limited number of products of key importance (such as basic foodstuffs, fuels, etc.) and to goods the trade of which is affected by international agreements or special arrangements.
As a result of these developments, the previously declared state monopoly of foreign trade, in practical terms, has ceased to exist.

I would like now to turn to some important legislative changes which will also widen the possibilities for foreign direct investments in Hungary. The recently adopted law on economic associations (Company Act) provides an improved legislative framework for more efficient resource allocation, treating all -- including private ventures -- on equal terms with regard to access to financing, labour and material inputs. Private ventures can have as many as 500 employees, a major increase compared to the previous regulation. Under the law, foreign firms and persons can establish new companies or purchase shares in existing ones. Foreigners may acquire majority- or full-ownership on the basis of prior authorization. In the case of a minority foreign stake, no authorization is required for the foundation of, or the participation in, a company. The law also ensures the free transfer abroad of profits in convertible currencies.

Another law was also adopted, containing legal guarantees for the protection of foreigners' investments. From now on, companies with foreign participation enjoy, in most respects, national treatment. Depending on the amount of foreign investment and the scope of activity of the company, a profit-tax reduction ranging from 20 to 100% can also be granted. In-kind contribution by the foreign partner can be imported duty free.

We believe that these steps will contribute to the strengthened market orientation of the Hungarian economy.