In accordance with a decision made at the meeting of the Working Party on 4 December, the secretariat herewith distributes to members the texts of the statements made during the meeting by Mr. Nyerges, Special Representative of Hungary to the International Economic Organizations regarding Hungary's planning and import policy, and its licensing system.

As indicated at the meeting, more detailed documentation, for the information of the Working Party will be circulated in January.

(a) Statement on Hungary's planning and import policy

I would now like with your permission to go on to another major problem which has been dealt with in some length - it is the correlation between the plans and between the behaviour of the Hungarian enterprises. Although in our memorandum and in previous unofficial meetings, we tried to give a full picture, I think it is very useful if this question is again restated in order to give an even more clear picture of the existing situation in Hungary.

The plan of national economy, the so-called five-year plan, is approved by the Parliament and is binding for the Government who is solely responsible for its implementation and who has the sole responsibility for the implementation of the economic policy.

One of the characteristics of the economic mechanism of Hungary is that the plans are not broken down to relevant ministries or to enterprises. Ministries do not receive any more plan directives or any other commands in that respect, so they cannot pass any commands on to the enterprises. The ministries, supervising the enterprises, define in broad lines the limits of the activity of the enterprises. The detailed definition of the activity of the enterprises lies within the sole responsibility of its director. The manager or the director of the enterprise is alone responsible for the setting of each production plan for the plan of distribution, and is alone responsible for the conclusion of contracts with enterprises in Hungary or abroad, within the limits of the legal regulations. The director of the enterprise is solely responsible for the definition and repartition of the elements of production in his enterprise - assets, labour, etc. He has the sole responsibility to define the salaries and the policy as to the salaries within the enterprise, within the framework of the existing legal regulations. It is the sole responsibility of the director of the enterprise to set the programme of the technical development of the enterprise, to use for this end the development funds of the enterprise, to call on credit
facilities for this development. The director of the enterprise is solely responsible for the pricing and price policy of his enterprise within the limits of the legal regulations. It is the sole responsibility of the director of the enterprise to set the internal rules of the enterprise, to determine the working time, all this naturally within the limits of the existing legal regulations.

I would now like with your permission to turn to the second general question in this respect and this is how this situation influences the conclusion and execution of the trade agreements concluded with centrally planned socialist countries.

As I had the honour to restate, there is no set level for this trade with the centrally planned socialist countries. The bilateral quotas which figure in these agreements are coming into being as follows: the enterprises based on their own experience and on their own links are proposing themselves what they want to import, in what quantities from a given socialist country and what they intend to export and in what quantities. The enterprises are putting forward these proposals according to their own commercial considerations. The elements of these considerations broadly speaking are the following: the profits of the enterprises, the advantages deriving from long-standing commercial links, delivery terms, prices and payment conditions. In the majority of the cases, the so-called compulsory quotas are nothing else than the consolidations of these wishes and proposals put forward by the respective enterprises.

In cases when after concluding the inter-State agreements, a real import requirement ceases to exist, or there is no longer a real possibility for exportation, there will be no sales or buyings under this quota. The problems of imbalance caused by these shortcomings will be bridged over yearly on an inter-State level during negotiations with the respective countries, either with supplementary deliveries or buyings, or with the transfer of rubles to cover this imbalance or with other means.

In cases where the overwhelming national interest prescribes that some exports or imports should be fulfilled in respect of these countries, the existing laws provide, as an exceptional measure, to give compulsory instructions to the enterprises. In these cases, the law provides for the possibility that the State should refund eventual losses. The possibilities for these measures are, as you will understand, very limited, partly because of budgetary reasons, partly because these measures are essentially contrary to the economic mechanism in Hungary.

We had other questions related to enquire what are the reasons which prompted the Hungarian Government to give special credit facilities for the importation of goods coming from socialist countries. My answer to this is the following: the Hungarian Government, to give you an example, regards its overwhelming national interest to secure for agricultural goods and foodstuffs as huge a market as the Soviet Union and the other socialist countries, and it is the overwhelming national interest of Hungary to keep these markets, to secure these markets for a long period, the more so as in another big market in Western Europe, with none the
less capacity for imports, these exports are subject to uncertainties and nobody
can safely say, even from one week to another, if these exports are feasible on
economic grounds or not. In the case that this other big market will grant the
same long-term facilities for the absorption of these exportable goods of Hungary,
the Hungarian authorities, if such a need arises, are prepared to give similar
considerations to imports from these markets, too. This is the reason why the
Hungarian authorities thought it fit to grant special import preferences in the
credit field for some goods coming from some socialist countries. As far as the
imports of consumer goods are concerned, I think another statement gave you a
full picture.

I was also asked to describe and give a concrete example of how enterprises
work. (A concrete example was given.)

(b) Statement on Hungary's licensing system

1. The question has been raised what are the means other than tariff, to influence
imports from contracting parties to Hungary. If I am not mistaken, this question
relates directly to the import licensing system.

2. Two questions can be legitimately put to us:

   (a) is the import licensing system restrictive in its character, or application;

   (b) is it applied without discrimination.

3. As to the character and application of the import licensing system in Hungary,
first of all I would like to refer to the relevant parts of our memorandum and to
the replies given to the questionnaire of the contracting parties.

4. In order to help the assessment of the impact of the import licensing system
in Hungary, it can be stated that at present it is non-restrictive and non-
discriminative, i.e. it is in full accordance with Article XX(d) and Articles XI,
XII and XIII of the General Agreement.

5. The application of the import licensing system has not resulted in a decrease
or stagnation of our imports. Imports from the contracting parties have risen from
Ft 38.8 billion in 1968 to Ft 42.1 billion in 1969. Since 1 January 1968 the sum
of the import licences has increased more rapidly than the actual imports. Imports
represented approximately 90 per cent of the sum of import licences, as a whole,
imports from the convertible currency area made up 84.5 per cent of the sum of
licences issued in 1968 and 82.3 per cent in 1969.

The total sum of the import licences issued in 1970 was considerably higher
than the bilateral quotas set up in trade agreements with some contracting parties.
The following data illustrate this situation:

<table>
<thead>
<tr>
<th></th>
<th>Bilateral import quotas in 1970</th>
<th>Import licences issued in 1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>95,437.3</td>
<td>150,294.7</td>
</tr>
<tr>
<td>Germany, F.R.</td>
<td>788,315.9</td>
<td>817,728.3</td>
</tr>
<tr>
<td>Austria</td>
<td>230,394.2</td>
<td>639,530.6</td>
</tr>
<tr>
<td>Italy</td>
<td>582,346.0</td>
<td>629,742.9</td>
</tr>
<tr>
<td>France</td>
<td>255,442.7</td>
<td>310,730.6</td>
</tr>
<tr>
<td>Netherlands - Belgium</td>
<td>198,811.5</td>
<td>320,391.5</td>
</tr>
<tr>
<td>Spain</td>
<td>53,932.3</td>
<td>69,062.6</td>
</tr>
</tbody>
</table>

6. The only quantitative restriction applied in our import originating from the contracting parties is a global quota set up for the so-called industrial consumer goods.

The sum of the global quota for 1970 is $28.7 million and for 1971 it is $35 million, i.e. higher than the total of the quotas for industrial consumer goods set in the bilateral trade agreements.

This global quota applies only to goods paid for in convertible currencies; consumer goods paid for in other currencies or bought by means of barter transactions are not subject to quantitative restrictions.

The global quota is not broken down to commodities, it is put to the disposal of the Ministry of Internal Trade, which hands it over to the enterprises and supervises its use. These licences are used by the enterprises according to such criteria as to meet the demand on the home market, to diversify and amplify the range of consumer goods.

Other consumer goods, as textiles, building materials, etc. are not subject to quantitative restrictions when imported for further transformation (clothes, building, etc.).

The sum of consumer goods in the import of Hungary from the contracting parties has been increasing for many years, especially since 1 January 1968.

<table>
<thead>
<tr>
<th></th>
<th>Ft million</th>
</tr>
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<tbody>
<tr>
<td>1968</td>
<td>3,880.0</td>
</tr>
<tr>
<td>1969</td>
<td>4,348.1</td>
</tr>
</tbody>
</table>

7. It is the intention of the Hungarian authorities to carry on a liberal practice, provided that balance-of-payment difficulties will not compel them to apply restrictions, and provided that no discrimination is applied in the quantitative restrictions maintained by some contracting parties against Hungary.