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ECONOMIC COMMITTEE

ECONOMIC REVIEW OF EASTERN COUNTRIES: HUNGARY
THE ECONOMIC PLAN FOR 1976-1980

Note by the Secretary

Attached is a paper prepared by the United Kingdom Delegation on recent developments and prospects of the Hungarian economy.

2. It will be examined during the reinforced meeting to be held on 3rd-4th June next.

(Signed) M. van den BULCKE

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This document includes: 1 Annex

N A T O C O N F I D E N T I A L

Note by the United Kingdom Delegation

HUNGARY: THE ECONOMIC PLAN FOR 1976-80

Introduction

1. The Hungarian economy has enjoyed a period of steady progress, in the middle range of CMEA growth rates since the introduction of its economic reforms, known as the "New Economic Mechanism" (NEM), in 1968(1). 1971-75 was the first full five year plan to incorporate the NEM, and whilst it is impossible to say how far the reforms have contributed to the results achieved, the plan targets have generally been met, and the NEM remains an important element in the management of the economy, even though it has not been extended as far as had been hoped, and has in fact been subject to a degree of attrition during a period of growing economic problems. The planners are having to cope with a worsening labour shortage and deteriorating terms of foreign trade. This leaves them little room for manoeuvre in their attempts to strike a balance for 1976-80 between a continuing improvement in living standards, modernisation of the economy, and the need to improve the foreign trade balance.

2. The Hungarian forint is a purely domestic inconvertible currency and the domestic price system is to a large extent insulated from the influence of world market forces, even though official Hungarian policy aims to bring domestic prices nearer to those prevailing on world markets. Attempts to convert internal Hungarian costs and prices into any other currency are therefore difficult and apt to be misleading. The State maintains a monopoly of foreign trade and exercises tight control over all transactions involving foreign exchange. Substantial changes in the official system of exchange rates were introduced at the beginning of 1976 and this has served to emphasise the arbitrary nature of the rates applied.

3. Before 1976 the Hungarians had an official "basic" rate of exchange used for converting trade statistics: for the United States dollar in 1975 this was \$1 = 8.51 forints. In addition there was a different rate used for non-commercial transactions (e.g. diplomatic and student expenditures) and for the United States dollar this was \$1 = 20.65 forints. For internal Hungarian use there were also undisclosed "commercial" rates used in accounting transactions between Hungarian enterprises involved in exports or imports and the Hungarian banks and foreign trade organisations. From the beginning of 1976 these "commercial" rates are disclosed and are in effect double the non-commercial rate: for the United States dollar, for example, the new "commercial" rate is \$1 = 41.30 forints. The "commercial" rates will in future also be used to convert trade statistics, while the former "basic" rate has been abolished.

(1) See paragraphs 26-27 for comment on this programme

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4. For purposes of international comparison it is sometimes useful to assess the size of the Hungarian economy (i.e. its GNP) in terms of purchasing power equivalent in another currency, generally the United States dollar. This is a very complex and laborious process, but in these terms the best available Western estimate suggests that in 1974 Hungary's GNP was equivalent to about \$21 billion, the smallest after Bulgaria among the countries of the Warsaw Pact and less than half that of Belgium. Per capita GNP in Hungary (from the same calculation) was just over \$2,000, which compares with \$3,130 for the UK and \$4,860 for Belgium.

Overall Growth

5. The growth in National Income(1) achieved under the 1971-75 plan was 35%, an improvement on the plan target of 30-32%, and an apparently creditable performance, given that Hungary's economy is heavily dependent on imported raw materials and is therefore particularly susceptible to rising prices abroad. The full effects of increased world commodity prices as incorporated in CMEA price levels, will only be experienced in the 1976-80 plan.

6. The new Five Year Plan (1976-80) expects National Income to grow by 30-32% overall (5.5% a year), a slight decline from recent growth rates. However, Hungary faces some major economic problems, and like other CMEA countries is placing considerable reliance on expansion in the non-Communist economies, so that even this apparently modest (in East European terms) rate of growth may prove somewhat ambitious.

Industry

7. Between 1971-75 gross industrial production increased by 37%, (6.5% a year), slightly more than planned, and industry's contribution to national income produced rose from 42.6% in 1970 to 44.9% in 1975. Most of the individual industrial targets were reached, with the engineering and chemical industries growing most rapidly and substantially exceeding their planned objectives. The building materials industry, however, achieved only half its planned increase of 55%.

8. The new Five Year Plan (1976-80) contains only a few, highly selected targets for individual industries, but seems to anticipate little change from existing trends. Overall growth is to be 34% (6% a year), with chemicals and engineering continuing to develop most rapidly, but industrial strategy will inevitably be strongly affected by the country's general need to produce goods for export. To a considerable extent success in the export field will depend on improving the competitiveness of Hungarian

- (1) Marxist concept which excludes sectors such as education, the health services, etc. which are regarded as "non-productive".
- (2) Comment on individual branches of industry is included in an annex to this report.

industrial goods and the plan's overall objectives for industry include improvements in the quality of its products, modernisation of its equipment, and the suppression of uneconomic production. The main hope for the domestic consumer appears to be that these improvements might also extend to goods produced for the internal market.

9. A second consequence of Hungary's deteriorating terms of trade is the increased emphasis to be placed on energy production, and the exploration for, and exploitation of, additional mineral resources. Demand for energy is expected to be 22-24% higher by 1980 than in 1975, and it is hoped that the domestically produced share of the total can be increased from 45% in 1975 to as much as 58% in 1980. An effort will be made to halt the decline in coal production and to reduce the proportion of total needs met by oil in favour of natural gas.

10. Industry as a whole will be severely affected by the labour shortage, and according to the plan the entire increase in production should be accounted for by increased labour productivity.

Agriculture

11. About half the population in Hungary have a direct interest in small private holdings which occupy about 7 per cent of the agricultural land but contribute one third of the total production since they concentrate on high value output, especially livestock products, vegetables and fruit. Machinery specially designed for small land areas is slowly becoming available and can be hired by private farmers from local agricultural co-operatives. In recent years, however, output from the private sector has been declining, mainly as a result of tax laws which actively discourage expansion, and in 1976-80 the output is expected to remain at about the same level as in 1971-75.

12. The plan requires that total agricultural production should grow by 3.2-3.4 per cent a year in 1976-80, with arable output increasing by 3.7 per cent a year. This extra production is to be achieved mainly by improving crop yields, although the area under oil crops (sunflower, rape and linseed) is to be increased and the sown area for soya is planned at 120,000 hectares in 1980 as against 25,000 hectares in 1975. The plan aims for a grain harvest of about 14 million tons by 1980, 3 million tons more than the estimated domestic requirement in that year.

13. In 1971-75, because of a decline in the numbers of cattle held by the private sector, cheese and butter had to be imported but meat, particularly the export of beef cattle to the EEC countries, was an important earner of foreign currency. About a quarter of the raw and processed meat was exported. In 1973 a programme to upgrade the cattle industry was initiated and is continuing since the embargo on meat imports imposed by the EEC is

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regarded as a temporary phenomenon. In the meantime, the population is being encouraged to eat more beef and in addition a new foreign purchaser has been found since the USSR trebled its imports of meat from Hungary in 1974. Domestic consumption of mutton is very low (0.6 kg per head a year) and 92 per cent of the sheep slaughtered are exported. The 1976-80 plan requires output of meat (live weight) to increase by 12-13 per cent, milk by 15-16 per cent and eggs by 14-15 per cent.

14. Investment in agriculture in 1976-80 is to be slightly below the level achieved in 1971-75, with a higher share allocated for machinery at the expense of expenditure on building where funds are to be concentrated on reconstruction of existing facilities rather than construction of new ones. The planned increase in fertiliser application is surprisingly low, 290-300 kg per hectare in 1980 as compared with 270 kg in 1975, but use of plant protection chemicals is to increase by 50-52 per cent.

Investment

15. Investment between 1971-75 totalled 574,000 million forints, exceeding the plan target by over 700,000 million forints (14%). It accounted for almost 32% of total national income distributed from 1971-75, and is said to have been 51% higher in real terms than investment during 1966-70. The main reason for the target being exceeded is officially stated to have been the rise in the cost of those projects planned rather than additional ones having been undertaken. The stock of unfinished projects at the end of the Five Year Plan stood at 117,000 million forints compared with 70,000 million in 1970. The 1970 figure was itself more than double the total for 1965 and was said to be a consequence of the New Economic Mechanism, which gave enterprises freedom to invest at a time when their available funds exceeded the capacity of the building and associated industries to cope with demand. The high value of unfinished projects at the end of 1975 is partly a consequence of the failure of the building industry to meet its growth targets. Other officially admitted reasons are a rush to start new projects before the start of a new five year plan which might alter investment conditions, and a number of projects unfinished through inadequate technical preparation, a failing which the new plan hopes to correct.

16. Investment during 1976-80 is to total 870,000 million forints, an increase of more than 50% over the last plan. This is similar to the increases of previous Five Year Plans, but represents a very substantial change from the 25% growth referred to by the Prime Minister, Gyorgy Lazar, in September 1975 during a speech on the guidelines for the new plan. The Hungarians have offered no explanation for the change, but there is little doubt that the higher figure is a more realistic estimate of likely expenditure. There is little specific information on how the money will be spent. 340-350,000 million forints (39.4% of the

total) is to be allocated to industrial projects, a higher proportion than under the 1971-75 plan (36.2%). The priority areas will be the power, raw material and heavy industries, where apparently the bulk of new construction is contemplated, whilst in other areas the emphasis will be on the modernisation of existing plant. About 20,000 million forints is to be invested in the building industry, 2.3% of total investment expenditure, a slightly lower proportion than it received during the last plan, probably reflecting a greater emphasis on modernisation rather than new construction in the economy and the fact that there will be no increase in the number of dwellings built. Nevertheless, given that the building industry has not performed well in the past, the modest plans for it may be seen as a sign of the pressure on resources within the Hungarian economy.

17. Other investment allocations include 105-107,000 million forints (12.3% of the total) for transport and communications, 43-45,000 million (5.2%) for roads, and 33-34,000 million (3.9%) for internal trade, two thirds of it for the development of trade in consumer goods, the provision of better shopping and catering facilities, etc.

Manpower

18. Hungary is suffering from a severe labour shortage which is likely to worsen during the next five years. At the end of 1975 the labour force totalled some 5.1 million, over 48% of the total population, having increased by only 92,000 (2.2%) between 1971-75. This rise was attributable to increased numbers of women entering employment, and women represented 44.3% of the labour force at the end of 1975. 150,000 people left agriculture to be re-employed in other sectors of the economy.

19. In 1976-80 the labour force is expected to increase by only 60,000 (1.2%), with a further 120-130,000 expected to leave agriculture for work in other sectors, mainly in the retail trade, and health and cultural services, where employment is forecast to increase by up to 140,000. There is little scope for expanding the workforce further from the existing population and the plan is forced to look to improved labour productivity to provide most of the increased output, including all the increase in industrial output. A further clear sign of the strain being imposed by the labour shortage was a ban announced last year on further recruitment of administrative personnel to both government institutions and economic enterprises. The ban extends even to the replacement of existing personnel and is unlikely to improve labour morale.

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Standard of Living

20. The standard of living has risen steadily, if unspectacularly, between 1971-75. Real wages in the state sector rose by 18%, and it is claimed that average real earnings on the collective farms went up even more, whilst total real income per head rose by 25%. Consumption also rose by 25%, with the proportion accounted for by food, clothing and "luxury items" falling, and an increase in the share of consumer durables. Although the volume of retail trade is said to have increased by 35% at constant prices, the level of savings bank deposits rose by 93%, suggesting that there remains a substantial amount of frustrated purchasing power in the hands of the population.

21. Between 1976-80 the increase in real incomes is likely to be slower, a response to the need to devote more resources to investment and the export market. Real wages are planned to rise by only 14-16%, but their share in the growth of real incomes is to rise. Monetary social benefits, which substantially increased their percentage contribution to real incomes during 1971-75, are to grow much less rapidly in 1976-80 but there may be some compensation in improvements in other social benefits such as health and educational services and cultural facilities which are planned to increase faster than money incomes.

22. Personal consumption is to rise by 21-23%, less than was achieved during the last Five Year Plan, but possibly about the same as, or slightly more than the growth of real incomes per head, for which the plan does not venture an estimate. It seems likely, therefore, that the difference between real income and the quantity of goods the consumer can buy will continue to increase, even though in absolute terms more goods will be available. It is intended that the quality of the nation's diet should be improved, with reduced consumption of carbohydrates and fats, and increased supplies of meat, fruit and vegetables, along with more processed and frozen foods. No increase is anticipated in the number of houses and flats to be built, although the 438,000 built between 1971-75 was slightly more than planned, and an increase of a third over the previous five year plan.

Prices

23. It is officially stated that between 1971-75 retail prices rose 15.8%(1), whilst producer prices increased by 22%. The difference is accounted for by a combination of State subsidies and a reduction of funds available to enterprises. An important cause of these price rises lies in the foreign trade sector where, between 1971-75, import prices rose 47% whilst those of exports went up by only 22%.

(1) The consumer price index, which in addition to retail price changes includes changes for services and the free market, rose slightly less - 14.6%.

24. The 1976-80 plan makes it clear that neither producers nor consumers can be protected from long-term changes in world prices, but at least for basic commodities consumer prices will not rise independently of incomes. It therefore seems likely that further disparities between producer and consumer prices will emerge, although in some areas enterprises will have to be allowed to pass on higher costs to consumers. Some price rises were introduced on 1st January, 1976 including building materials (22%), furniture (3.4%), and paper and oil products (10.15%), and the price of sugar was increased by 50% in December last year. In addition the prices of meat and meat products are to rise by a third in July 1976. Overall, a rise of 4.6% in consumer prices is expected during 1976, and the modest improvement in the standard of living planned for 1976-80 seems likely to come under considerable pressure, at least during the first half of the period.

Foreign Trade

25. The importance of foreign trade to the Hungarian economy has grown in recent years and this sector has been encountering substantial problems, in particular the large hard currency deficits of 1974/75. Imports from the West have risen much faster than exports with the result that the trade gap has widened appreciably and although both imports and exports to the dollar area actually fell in 1975, the deficit was \$420 million. Exports to Western Europe were adversely affected by the recession and by the ban on meat imports imposed by the EEC(1). On the import side, Hungarian enterprises had purchased large quantities of raw materials in the erroneous belief that world prices would continue to rise. Hungary's pragmatic approach to such problems has been shown by its attitude towards the conclusion of Industrial Co-operation Agreements (ICAs) with Western firms, in order to reduce convertible currency expenditure on Western technology and know-how and to find guaranteed markets for the resultant products. However Hungary has needed Western finance and was among the first Soviet bloc countries to enter the Eurocurrency market where it has raised nearly \$1 billion in loans and bond issues. It has also received government guaranteed credits and overall indebtedness is in the order of \$2 billion.

26. The Communist countries remain Hungary's main trading partners, with the USSR the dominant buyer and supplier; their share last year in Hungarian trade rose to nearly 70 per cent, mainly as a result of increased CMEA prices. Imports rose twice as fast as exports and these countries provided over three quarters of Hungary's imports of fuel and energy, industrial consumer goods and machinery and took nine tenths of Hungary's exports.

(1) The USSR bought a large share of the meat destined for EEC markets and paid Hungary in hard currency.

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Hungary's commitment to CMEA is increasing as it is taking part in several large raw material resource development projects, particularly in the USSR, which involve Hungarian deliveries of equipment on credit in return for guaranteed supplies from the project output.

HUNGARY: TRADE GROWTH AND PLANS

(percentage growth)

		Actual 1971-75	Planned 1976-80	Annual Rate 1976-80
Communist Countries	Turnover	186.9	38-40	6.7-7.0
	Exports	185.6	42-45	7.3-7.7
	Imports	188.0	32-35	5.9-6.2
Non- Communist Countries	Turnover	157.9	50	8.4
	Exports	122.3	60-65	9.9-10.5
	Imports	189.8	36-40	6.3-7.0

27. The Fifth Five Year Plan itself is notably devoid of figures for foreign trade growth. However earlier guidelines suggest that trade will increase by over 40 per cent, with the emphasis on exports. The target for exports to the West seems rather ambitious despite the fact that Hungary has introduced various financial measures to promote exports. Hungary may also have some difficulty in keeping imports to the level planned unless further restrictions on non-essential imports are introduced.

The New Economic Mechanism (NEM)

28. The New Economic Mechanism introduced in 1968 was intended to bring a limited market mechanism into a hitherto centrally directed "socialist" economy. The object was to make the Hungarian economy better attuned to world economic conditions and more responsive to internal demand, by decentralizing economic decision-making and securing the targets of the various economic plans not by directives but by "economic regulators" affecting the operating conditions of enterprises, e.g. adjusting credit conditions, taxes, prices and by wage controls. Enterprises were allowed some flexibility in three main areas - investment decisions, prices, and the apportioning of incentives.

29. In the field of investments the NEM has not improved efficiency. Although enterprise share of investment (including that financed by credits), rose from 40% in 1968 to 54.4% in 1975, there are still widespread complaints about poor preparation of projects, delays in completion, shortage of materials, slowness in bringing plants into operation, and an excessively wide

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investment front. Although enterprises will retain their existing freedom in this sphere, the funds available to them are to be restricted. With regard to price, the NEM provided for three categories - prices which were uncontrolled, those with an upper limit, and those which continued to be centrally fixed. Although the share of free prices was intended to grow, the fear of inflation has prevented this occurring, and their share remains about 1/3 of the total, as in 1968. Price revision is being used, however, in an attempt to influence the policy of economic enterprises. On the question of incentives, the freedom to determine the rewards of workers has been retained, although from 1976 stricter limits will be applied to the scale of such rewards, and further alterations will be made to the system of incentives for managers. Nevertheless, whatever changes have been made to the operation of these various elements in the NEM all have been retained and there is no evidence that the NEM itself is likely to be overturned, although its main objective - increased decentralization - is under growing pressure, since there is considerable temptation to deal with the pressing problems of inflation and the manpower shortage through decisions taken at the centre.

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ANNEX:

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MAJOR BRANCHES OF INDUSTRY

I. ENERGY

1. According to official statements Hungarian energy demand is to increase by 22-24% in 1976-80. During the last few years the rising cost of imported raw materials, both from the Soviet Union and the West, has forced the government to reassess the energy position of the country. In particular, great emphasis is now being placed on the importance of expanding domestic production of fuel and power and thus limiting the growth of imports. Whilst many of the projects outlined in the plan will not be in full operation by 1980 it is still hoped that domestic energy production will increase its share in total consumption from 45% in 1975 to 56-58% in 1980.

2. Changes in the Hungarian energy balance are also expected to occur during the next 5 years. Whilst production of coal will continue to decline great efforts are being made to stop this trend and its position is likely to show great improvement in later plan periods. The consumption of oil will increase in absolute terms but at a reduced rate, and its share in total energy consumption will fall for the first time in many years. That of natural gas will however increase as a result of the initiation of large scale imports of Soviet gas via the Orenburg pipeline and the expanded Bratsvo pipe system, whilst in the field of electric energy Hungary will produce her first nuclear power in 1980.

Primary Energy Consumption in tonnes SFE(1)

	1971	%	1975	%	1980 Plan	%
Coal	15.9	51	14	38	16	36
Oil	10.5	34	16	43	17	37
Natural Gas	4.7	15	7	19	12	27
Hydroelectric & nuclear power	neg	neg	neg	neg	neg	neg
	31.1	100	37	100	45	100

(1) Standard Fuel Equivalent

(a) The Coal Industry

3. The next five years are likely to prove a turning point for the Hungarian coal industry, for despite a continuing reduction in output, projects are now being undertaken which should result in greatly improved production figures in the subsequent plan periods. The coal industry has been in almost

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continual decline for the last ten years. In 1965 production totalled over 31 million tons and together with net imports of some 2.5 million tons contributed over 71% of Hungarian primary energy consumption. By 1975 production had dropped to 24.9 million tons, net imports to around 1.4 million tons and coal represented only 38% of energy consumption.

4. Compared with other CMEA countries Hungary has only limited reserves of coal, and virtually all of these are in the form of lignite and brown coal with relatively low calorific values. However, the rising cost of energy imports and in particular of oil imports has encouraged the Hungarians to reassess their domestic resource base and efforts are now being made to revitalise the flagging coal industry. Exploration has been stepped up and has met with considerable success in the discovery of new lignite and brown coal deposits and it is on these that the future of the industry will depend. The Hungarian Authorities have placed special emphasis on the creation of fuel-power systems such as at Visonta, where a lignite mine in the foothills of the Matra mountains was specially developed to fuel a thermal power station thus permitting the production of cheap electricity. Work is currently in hand to set up a similar operation at Bukkebrany where output will fuel a 2,000 MW power plant. These developments have become possible with the improvement of firing techniques which have solved the problem of the economic firing of coals of poor quality of 1,300-1,800 Kcal heating value.

5. New deposits of brown coal have been discovered at Nagyegyhaza and Many where they overlie deposits of bauxite, and plans are being drawn up for the simultaneous mining of both resources together with the creation of the Transdanubia power complex at Oroszlany. It is also intended to maintain production of bituminous coal by re-equipping existing mines and the opening up of new shafts in the Mecsec coal basin but there would appear to be little hope for expansion in the absence of new finds.

6. The Hungarian Government has spoken of the need to import a substantial amount of equipment for the coal development programme. Problems of firedamp in the Mecsec mines and the high water tables in the Dorog and Transdanubia soft coal areas necessitate the use of specialised equipment, whilst there is also a growing need for longwall mining equipment, including safety equipment, high productivity cutting equipment and automated loading, transportation and sorting equipment.

7. The coal mining authorities have stressed on several occasions that these developments must be viewed in the long term, and that they will do little to affect production levels in the current plan. Many problems remain to be overcome, and the 1980 plan target of 23-24.5 million tons represents a considerable scaling down on earlier estimates of 40 million tons in that year.

(a) Oil and Gas

8. Although Hungary is the second largest producer of crude oil (after Rumania) in Eastern Europe her production is strictly limited and an extensive programme of exploratory drilling has done little but to allow production to be stabilised at around 2 million tons per year. However, in 1975 Hungary consumed some 10.5 million tons of oil and despite efforts to curb its use, by 1980 the figure is expected to be about 12 million tons, thus increasing the necessary level of imports.

9. The position of natural gas is broadly similar but here the rise in imports will be more drastic. In 1975 Hungary produced 5,175 million cubic metres of natural gas and imported only 806 million. In 1980 however Hungary is expected to consume 10,000 million cubic metres, but domestic production will have risen only to 6,000 million.

10. At the present time the USSR supplies over 70% of Hungary's imports of oil and natural gas but by 1980 this proportion is expected to be nearer 80%. Much of the increase will be attributable to natural gas, where imports from the Soviet Union are expected to rise from the 1975 figure of 600 million cubic metres to 3,800 million cubic metres in 1980. This latter figure is dependent on the successful completion of the Orenburg gas pipeline and of the expansion of the Bratsvo pipeline. Hungary is heavily involved in both projects, supplying pipeline and ancillary equipment. Whilst imports of Soviet oil and oil products are also due to grow during the plan, this will be much more gradual. In 1975 the Soviet Union supplied an estimated 6 million tons of crude oil, or 71% of Hungary's total crude oil imports, the remainder coming primarily from Iraq and Iran. In 1980 Hungary is to receive 7.5 million tons of Soviet crude or 75% of imports. Supplies of refined products from the USSR will go up from 0.65 million tons to 1.65 million tons in the same period.

11. No mention was made in the plan of the construction of the Adria oil pipeline. This pipeline will when complete run from the Yugoslav coast at Krk island to Panacevo with a branch line into Hungary where it will link up with the Friendship pipeline system. The first stage is due for completion in 1978 and when the second stage is completed in 1982 Hungary will receive through it some 10 million tons of Middle Eastern crude oil per year, 5 million tons for her own consumption and 5 million for onward transmission to Czechoslovakia. All these projects are putting a considerable strain on the Hungarian oil and gas equipment industries and it appears likely that Hungary may have to import supplementary supplies of piping and ancillary equipment from the West if progress is not to be delayed.

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(a) Electric Power

12. In 1975 Hungary consumed 28 million MWh of electric power; by 1980 demand is expected to have exceeded 35 million MWh thus necessitating a considerable expansion in both production and imports. In 1975 Hungary generated 24 million MWh of electricity whilst imports of electricity in that year totalled 4.2 million MWh, all of which came from the USSR. By 1980 Hungary is expected to be producing some 27.5 million MWh, thus raising the level of imports of Soviet power to 7.5 million MWh, or 21% of total consumption. This increase in electricity imports will be made possible by the completion of a long distance 750 KV transmission line linking Vinnitsa in the USSR to Albertirsa in Hungary and forming part of the unified CMEA power grid.

13. Hungary is almost totally dependent on thermal power stations, her hydroelectric power capacity being very limited and producing less than 1% of total power generated. During the plan period Hungary is to continue to construct and expand thermal power plants, giving particular emphasis to the development of fuel-power systems, that is the co-ordinated development of a fuel source with a power station in close proximity to it. One such system is already in operation at Visonta where power station is fuelled by local supplies of lignite. This plant is to be expanded and a further plant built at Bekkebrany to utilise similar deposits, whilst plans are being drawn up for the construction of the Transdanubia power plant at Oroszlany in conjunction with the development of the Nagyegyhaza - Many brown coal field. However, neither Bukkebrany nor Oroszlany will be on load by 1980. The capacity of oil fired stations is also to be expanded with the addition of a further 415 MW unit at Szahalombatta and the construction of the Tisza power plant at Leninvaros.

14. In 1980 Hungary is due to generate her first nuclear power, following the commissioning of a 440 MW block at the Paks atomic power station. This station, being built with the aid of the USSR, is planned as the first in a series of such plants that are expected to account for 40-60% of new capacity installed between 1980 and 1990. Hungarian machine building industries are to play an important part in supplying equipment for Paks and for other nuclear power stations in the CMEA. Preparations are in hand for the construction of special generators water purifiers, ventilation systems, heat exchanges, pressure tanks, switches and circuit breakers among other items and by 1980 Hungary is expected to be producing an exportable surplus of such equipment.

II. METALLURGY

(a) Iron and Steel

15. Hungary's iron and steel industry has very little basis on domestic iron ore production, and the contribution of Hungary's sole iron ore mine has declined from 10% to 7% of total requirements. In 1975 the USSR was expected to supply Hungary with 90% of her iron ore requirements mainly from Krivoy-Rog and Kursk. Additionally, in the first nine months of 1975, 55,000 tons of scrap metal were collected for reprocessing.

16. The production of steel is to increase within the plan period to between 4.3 and 4.5 million tons by 1980, and is projected to reach 5.0 million tons by 1990. Output in 1975 was an estimated 3.67 million tons representing an over-fulfillment of the target by about 50,000 tons. The percentage increase, 1976-80 is thus to be between 17% and 22%.

17. At present 90% of Hungary's steel production is concentrated in three plants, the Danube, OZD and Lenin Works. Within the plan the former two plants are to receive more attention than the latter, raising their joint contribution from 63% to 80%. Specifically OZD will increase its output from 1.16 million tons at present to 1.4 whilst the Danube works, following the installation of two new oxygen convertors, a new coking plant and continuous casting equipment will be enabled to increase production by 1 million tons. Although the plant is to be modernised the contribution of the Lenin Works will remain at its present level of just under 1 million tons/year.

18. Rolled products are manufactured to a considerable extent at these plants, and overall the total produced is to rise from the estimated output in 1975 of 2.67 million tons to between 3.1 million and 3.3 million tons in 1980. The Hungarians see such development as necessary to meet the demands of the economy, and also for their ambitions to produce a more economic and more valuable product.

(b) Aluminium

19. Although Hungary has her own reserves of bauxite, producing around 3.3% of the world total, smelting facilities for aluminium are somewhat lacking. Those which Hungary possesses are very labour intensive and only of small capacity. Hence she relies heavily upon international agreements, with the USSR and to a lesser extent Poland, whereby she supplies alumina and in return receives aluminium, to satisfy her requirements of the metal. The major requirements for the industry during 1976-80 are seen to be modernisation and extension of production both in respect of semi-finished and finished products.

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20. By 1980 extraction of bauxite is expected to rise to around 3.0 to 3.1 million tons, from the 1975 level of 2.9 tons. Intense prospecting continues in order to find additional bauxite resources. A new method, developed in the USSR is being applied to process high calcium content ores, especially those in the area of the Halimba III mine. During the plan period new mines will be opened in Transdanubia and also in the Bakony Mountains.

21. In 1975 Hungary was expected to produce 750,000 tons of alumina, 240,000 tons of which were exported to the USSR in exchange for 120,000 tons of aluminium. Under the agreement with Poland, Hungary supplies 80,000 tons of alumina and receives 18,000 tons of aluminium. By 1980 production of alumina is planned to be in the region of 800,000 tons, 330,000 of which will go to the USSR in return for 165,000 tons of aluminium. This annual level of exchange will persist at least until 1985. This arrangement is estimated to have saved Hungary 2,400 million kWh of electric power by 1975. In addition to the USSR and Poland, Hungary also exports alumina to Austria, Czechoslovakia, GDR and Rumania.

22. Hungarian production of aluminium ingots and other forms of unwrought aluminium was expected to be 70,000 tons in 1975. Within the new plan period production is to rise to between 72 and 73,000 tons, during which time the foundry at Ajka will have been expanded and modernised. Annual domestic consumption of aluminium is at present around 144,000 tons this domestic production plus aluminium repaid under the Soviet and Polish agreements, leave quantities available for export to both East and West.

23. It has been emphasised that during the plan period the aluminium processing industry must be developed. The major bases for the industry at present are the Székesfőhervár Light Metal Works and also the Kobáyna Light Metal Works the major product of the latter being aluminium foil, production of which is to increase by 50% to 3,000 tons a year in 1980. The capacity of Székesfőhervár is to be expanded between 1976-80, specifically by extending the broad band mill and also by developing the press workshop. Again, the object of development within the plan period is to meet the demand of the economy, for a range of semi-finished and finished aluminium products and to increase the surplus available for export.

III. CHEMICAL INDUSTRY

24. Overall, the development of the chemical industry is to proceed at a rate faster than that of industry as a whole. Within the plan period the total increase in production is planned to be between 55% and 57% compared with an expected growth rate of 61% in the period 1971-75. Hungary's chemical industry is heavily based upon supplies of imported raw materials and upon reciprocal agreements to obtain them.

(a) Petrochemicals and Fibres

25. Several years ago Hungary saw the need to develop a plastics industry and all the associated complex petrochemical technology. Initially the Hungarians were able to use their own oil deposits for raw materials, but with an increasing reliance upon the supplies of Soviet crude oil, through the Friendship Pipeline.

26. Domestic expansion of the petrochemical industry became a necessity if the demand for plastics and synthetic fibres was to be met. Consumption of plastics in 1975 stood at 220,000 tons, 50% of this being imported. By 1980 consumption is expected to rise to between 450 and 500,000 tons, which would prove too great an import burden if suitable steps were not taken. Plastics and synthetic fibre already comprise 50% of Hungary's chemical imports.

27. At present Hungary supplies the USSR with ethylene and propylene for processing and receives in return various synthetic and petrochemical products to the same value. From the Tisza complex, where expansion consisting of a new propylene plant with a capacity of 45-50,000 tons is planned between 1976-80 to provide for the manufacture of 40,000 tons of polypropylene, a pipeline carrying ethylene and propylene runs to the Kalush works in the USSR. In 1975 out of an expected production of 250,000 tons of ethylene and 130,000 tons of propylene, 130,000 tons of ethylene and 80,000 tons of propylene were to be piped to the USSR in return for 50,000 tons of equal value related products. In 1980 the USSR will be supplying Hungary with products including the following: 20,000 tons of polyethylene; 15,000 tons of impact resistant polystyrene; 19,000 tons of acrylonitril; 5,000 tons of ethylene glycol and 2,500 tons of styrene monomer.

28. Hungary has similar arrangements with Poland, the most significant of which is for supply to Poland annually of 50,000 tons of PVC in return for 8,000 tons of polyester fibre in the period 1978-85. Production of PVC is to increase considerably with the construction of a new plant at Borsod planned to begin operations in 1978 with an annual production of 150,000 tons of PVC and 120,000 tons of sodium hydroxide as a by-product, using

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ethylene piped from Tisza. Total output of PVC from new and existing capacities will then reach 190,000 tons which will leave at least 70,000 tons available for export as domestic demand is envisaged to be between 100 and 120,000 tons. This Polish agreement is primarily seen as an economy measure, saving 3 or 4 billion forints on the construction of a polyester fibre plant, and yielding surplus PVC for export.

29. Domestic artificial fibre production is centred on the Hungarian viscose factory, and expansion under the plan is to increase output from its present level of 21,000 tons to 36,000 tons in 1980. This plant under a recent, current agreement is to supply Poland with 3,000 tons of artificial and Danamid fibre, in return for 4,000 tons of polyester fibre.

(b) Fertilizers

30. The uneven development of the various sectors of the fertilizer industry has been determined by the lack of domestic raw material deposits for potassic and phosphate fertilizers on the one hand and the availability of natural gas for nitrogenous production on the other. No potassic fertilizer is manufactured in Hungary and of an estimated requirement in 1975 of 465,000 tons, measured by active ingredient, the USSR supplied nearly 50% whilst the remainder came from both East and West.

31. In nitrogenous fertilizer Hungary is self sufficient and in the new plan period output will rise by between 12 and 17% and in 1980 should be around 710-720,000 tons measured in active ingredient terms.

32. The major developments in 1976-80 are directed towards the phosphate industry but the Hungarians realise that such a strategy will only succeed if they can enter into agreements for the long-term supplies of phosphate rock. To this end Hungary has signed agreements with Morocco, for the supply of 1.38 million tons of phosphate rock over the period 1975-80, a consignment which will meet the demand requirements of the Pet complex fertilizer plant which came into operation in 1975; also with Algeria, though no figures have been mentioned, an extension of an existing agreement, which in 1974 involved the transshipment to Hungary of 100,000 tons of rock. The works at Tisza produce some 60% of the total superphosphate output of Hungary.

33. Within the plan period and also beyond it is considered necessary to divert energies to the production of complex fertilizers and it is thought that within this time period some 55-60% of the fertilizer marketed will come under the classification of complex.

IV. ENGINEERING

(a) Machine Tools

34. Hungary currently produces gear grinding, thread cutting, and drilling machines; machining centres; conventional and numerically controlled lathes and milling machines; and presses, shears, and hammers. Some 7,500 metal cutting and forming machines were produced in 1974, and of these about 70% were exported, mostly to other CMEA countries. The principal producers are the Csepel works, Budapest; and the SZIM group of factories which includes the Budapest lathe and grinding machine plants, the Kobanya machine plant, the Esztergom milling machine plant, the Székesfehérvár grinding machine plant, and the Gyor plant for special purpose machine tools. Metal forming machine tools are mainly produced by the Digez works at Diosgyor. In all, the industry employs some 10,000 workers.

35. Hungarian engineering is in general not especially advanced, but attempts have been made in recent years to improve the products of the machine tool industry with the help of Western technology. The SZIM group concluded agreements with Ratier Forest of Paris in 1971 for the licensed production of numerically controlled milling machines and machining centres; with Fritz Werner of West Berlin for licensed production of knee type milling machines; and with Gildemeister (FRG) in 1974 for the manufacture of one type of automatic and two types of numerically controlled lathe. In 1973 the Hungarian Electrical Automation Institute, Vilati, purchased licenses for the manufacture of three types of numerical control system from San Giorgio of Italy; 50 systems were scheduled for production under this agreement during 1975. The Csepel works produces inter alia bending and drawing machines under licence from Kieserling and Albrecht (FRG), and radial and vertical drilling machines under licence from Kolb (FRG). There is also co-operation in design and production with other CMEA countries - the EV 630 NC lathe manufactured by the SZIM group was developed in association with Soviet research institutes, while an agreement between Hungary and Poland, providing for the specialisation in production and mutual supply of 15 and 11 different types of machine tool respectively, was signed in 1975.

36. In the general context of CMEA engineering the Hungarian machine tool industry is likely to remain small compared to those of such countries as the USSR, the GDR, Czechoslovakia, and Poland, with a relatively restricted range and a less developed technology. However, during the next few years an updating of the product range and a re-equipping of existing manufacturing facilities may be expected as the industry endeavours to develop its position as a specialist producer for export on the basis of its agreements with Western firms and with other CMEA countries.

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(b) Motor Vehicles

37. The Hungarian motor vehicle industry is principally a producer of buses. It is also an important supplier of major mechanical components for lorries and buses and of electrical equipment and body fittings for cars built elsewhere in the Soviet bloc, very largely under agreements with the Soviet Union and Poland. Unlike other CMEA countries Hungary produces no cars of her own. There is increasing production of heavy road haulage lorries, which also involves the Rumanian motor industry, under an agreement with Federal German Firm of MAN. The industry's development has been strongly influenced by Soviet enunciated principles of intra-CMEA specialisation.

38. The expansion of bus and coach manufacture absorbed 82% of all motor industry investment allocated in the 1971-75 Plan. Since the late 1960s the main Ikarus factory at Matyasfold, near Budapest, has been extensively rebuilt and several specialist components plants have been opened. The Ikarus branch works at Székesfehérvár has been expanded as a full scale vehicle assembly plant and is being further enlarged, while the Csepel lorry works in Budapest has been partly converted to the production of bus chassis. Bus production averages 28-32 vehicles a day. Under collaborative agreements Ikarus builds bus and coach bodies on chassis supplied by Volvo of Sweden and Steyr of Austria.

39. The lorry sector, originally centred on Gyor under the name of Raba, was reactivated at the Csepel works after 1945 but its subsequent development was adversely affected by the small domestic market and the priority accorded to bus production. In the late 1960s an agreement was concluded with MAN under which the Raba-Mavag works at Gyor was extended and modernised for the manufacture of lorries and of bus and lorry components. About 1,500 lorries of between 12 and 26 tons are produced a year.

40. Motor vehicles components manufacture is divided between factories operating in support of domestic bus and lorry production and those collaborating mainly with the motor industry in the USSR and Poland. Electrical components and body fittings for cars are produced by enterprises which until fairly recently had no connection with the motor vehicle industry and are still concerned in meeting other commitments.

41. Prospects for the future rest almost entirely on the continued growth and technological advancement of the bus industry. In 1975 output of buses was in excess of 10,000 vehicles and production is likely to increase to about 11,000 vehicles this year. The 1980 production target of 13,000 buses a year is within reach if current investment plans are fully implemented. 35 per cent of Hungarian bus output will be exported in 1976-80, mostly to the Soviet Bloc, but about 10% will go to capitalist and developing countries.

42. The market for passenger cars and lorries resulting from lack of production facilities for these vehicles is filled by imports from the CMEA countries, principally the USSR, Poland and East Germany. In 1971-75 Hungary imported 357 thousand passenger cars and 94 thousand lorries.

(c) Electronics

43. The Hungarian electronics industry is based almost entirely in Budapest, with the exception of the Videoton computer factory at Székesfehérvár. The industry has expanded rapidly in recent years and specialises in the manufacture of communications equipment and consumer entertainment items, Military production is insignificant and consists mainly of field radio and line communications equipment, radar components and optical devices. However, the industry still suffers from a shortage of skilled labour and modern production machinery, and relies heavily on Western components and licensing agreements for many of its major products.

44. The BHG factory, Budapest, produces crossbar type telephone exchanges under licence from Ericsson of Sweden using some imported components, and other telecommunications equipment. A substantial proportion of the factory's output is exported to the USSR, and considerable problems have been experienced in producing systems suited to Soviet conditions. A new branch plant at Debrecen which will double BHG's existing capacity is being built and is scheduled to become operational in 1978.

45. In common with other CMEA countries Hungary opted for the French SECAM colour TV system and the first batch of receivers was produced at Videoton in 1971. Large scale production has yet to be established however; and an agreement has recently been made for the Orion factory in Budapest to manufacture 20" PAL receivers under licence from Standard Elektrik Lorenz (FRG) from late 1976. Black and white TV receivers and also tape recorders are made by the Orion factory at present. TV cameras are made by the Balatonelle branch of BHG, which also assembles pocket calculators from components supplied by the Bowmar Corporation of Canada. The EMG factory, Budapest, produces electronic instruments such as spectrometers, multichannel analysers, and oscilloscopes.

46. The Videoton factory commenced production of the VT-1010B computer from foreign and domestically-manufactured components and sub-assemblies under licence from the French company CII in the late 1960s. Since 1973 an improved version, based on the CII Mitra-15 computer and designated the VT-1010BM, has been manufactured; this is a third generation computer with TTL integrated circuits and a ferrite core storage memory of up

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to 64K, intended primarily for production control purposes, which is also known as the R-10 within the CMEA Ryad series. At present an improved version, the R-12, is thought to be under development. Currently Videoton produces about 30 computers yearly, mostly for export to the USSR, the GDR, Czechoslovakia, and France. In January 1976 an agreement was signed with Datasaab whereby the Videoton branch plant at Tab is to assemble Swedish minicomputers under licence.

47. For strategic and economic reasons Hungary has endeavoured for some years to establish indigenous production of such components as semi-conductor devices, and diminish reliance upon imports from Western companies such as Siemens and Texas Instruments. Both HIKI (Research Institute of the Communications Industry) and EIVRT (United Incandescent Lamp and Electrical Corporation) of Budapest are engaged in small-scale batch manufacture, but as a result of obsolete facilities and practices produce components markedly inferior to and more expensive than the Western-built devices from which they are copied.

48. The industry appears to face an uncertain future. The revaluation of the forint within CMEA operative from January 1976 has made Hungarian electronic equipment more expensive in the USSR and Eastern Europe; while attempts to improve outdated production facilities by developing existing agreements with Western companies could lead to a trade imbalance which would reduce the ability to import essential components. Considerable effort to improve the efficiency of the industry and the quality of its products must therefore be made during the next few years.

Table 1. Principal Targets of the Five Year Plans 1971-75 and 1976-80

	1971-75 % growth over 1970		1976-80 % growth over 1975
	Target	Performance	Target
National Income	30-32	35	30-32
Industrial Output	32-34	37	34
Building Industry Output	41-43	28	31-34
Agricultural Output*	15-16	18	16-18
Consumption	29-30	28	23-25
Per capita real income	25-27	25	18-20
Real wages per worker	16-18	18	14-16
Consumer price level		15.8	
Producer price level (industry)		22	
Retail trade (constant prices)		35	28-30
Investment (constant prices)	41	51	52
Exports (constant prices)		57	53-55
Imports (constant prices)		42	36-38

* Figures compare the full five years referred to in the column heading with the previous five years.

Table 2

Sources of National Income (Net Material Product)*

In million forints at constant prices
and as percentage of total.

	1960	1970	1971	1972	1973	1974	1974 as % of 1970
Industry	55,053 (36.0)	110,589 (42.6)	116,869 (42.2)	124,200 (42.7)	135,947 (43.5)	147,500 (44.1)	133.4
Construction	17,459 (11.4)	30,964 (11.9)	32,995 (11.9)	34,000 (11.7)	35,172 (11.3)	37,100 (11.1)	119.8
Agriculture	44,762 (29.2)	43,749 (16.8)	47,541 (17.2)	49,700 (17.1)	53,060 (17.0)	53,100 (15.9)	121.4
Forestry	1,517 (1.0)	1,681 (0.6)	1,787 (0.6)	1,900 (0.6)	1,826 (0.6)	1,800 (0.5)	107.1
Water economy	418 (0.3)	1,256 (0.5)	1,249 (0.5)	1,400 (0.5)	1,422 (0.5)	1,400 (0.4)	111.5
Transport and Communications	8,335 (5.4)	16,643 (6.4)	17,605 (6.4)	18,400 (6.3)	20,083 (6.4)	21,300 (6.4)	128.0
Internal Trade	19,829 (13.0)	34,451 (13.3)	38,262 (13.8)	39,800 (13.7)	43,394 (13.9)	47,500 (14.2)	137.9
External Trade	1,397 (0.9)	4,087 (1.6)	4,502 (1.6)	5,100 (1.8)	5,998 (1.9)	6,900 (2.1)	168.8
Other	4,289 (2.8)	16,352 (6.3)	15,890 (5.7)	16,200 (5.6)	15,428 (4.9)	17,600 (5.3)	107.6
Total	153,059 (100)	259,772 (100)	276,700 (100)	290,700 (100)	312,330 (100)	334,200 (100)	128.7

* Figures for 1975 not yet available.

Source: Statisztikai Evkonyv 1974

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Table 3 Distribution of National Income (as %)*

	1961-65	1966-70	1971	1972	1973	1974
Material consumption of the population	70.6	68.1	63.2	68.0	69.1	65.5
Material consumption for collective needs	8.4	8.4	8.9	9.3	9.3	9.1
Total material consumption	79.0	76.5	72.1	77.3	78.4	74.6
Net fixed capital formation	13.3	15.5	18.0	20.2	20.5	16.6
Increase of uncompleted capital formation	1.7	3.7	4.2	1.5	0.7	3.6
Increase in stocks	6.0	4.3	5.7	1.0	0.4	5.2
Total net capital formation	21.0	23.5	27.9	22.7	21.6	25.4
Final use in the domestic economy	100.0	100.0	100.0	100.0	100.0	100.0

* Figures for 1975 not yet available.

Source: Statisztikai Évkönyv 1974.

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TABLE 4 INDEX OF GROSS PRODUCTION OF STATE INDUSTRY
(CONSTANT PRICES - PREVIOUS YEAR = 100)

Sector	1971	1972	1973	1974	1975	% Increase 1975 over 1970
<u>Heavy industry, total</u> of which	107.5	104.9	107.6	109.8	106.6	142
Mining	100.1	98.4	102.0	99.7	103.0	104.7
Electrical energy	107.6	107.2	109.1	108.6	105.1	143.6
Metallurgy	106.7	101.6	108.2	109.1	98.9	126.6
Engineering, total	107.6	105.3	106.2	111.9	109.8	148.4
including -						
vehicle production	106.9	109.2	107.7	115.3	110.9	160.7
electrical machines and appliances	109.3	113.1	105.3	110.7	107.4	154.8
telecommunications equipment	110.6	110.1	108.9	120.0	116.4	186.2
Building materials industry	103.0	103.2	107.0	107.2	105.0	127.9
Chemical industry	112.6	110.9	110.6	110.1	108.4	165.0
<u>Light industry, total</u> of which	103.9	105.7	110.8	106.5	102.7	132.9
Wood processing	105.1	105.1	111.4	113.7	108.7	152.1
Paper	107.3	108.0	110.8	104.9	105.5	142.1
Printing	110.7	104.7	103.2	114.5	107.8	147.6
Textiles	102.1	106.1	109.4	104.7	100.0	124.1
Leather, fur and shoe industry	103.4	103.9	111.9	104.5	103.4	130.0
Clothing industry	102.9	104.4	115.6	104.9	98.3	128.0
Handicrafts and home-crafts	105.9	110.9	111.9	106.1	106.6	148.6
Food processing	106.8	105.2	103.4	106.4	102.2	126.3
State industry total	106.7	105.4	106.9	108.4	104.9	136.7

Source: Statisztikai Havi Közlemények 2-3/76

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TABLE 6 STRUCTURE OF INVESTMENT BY ECONOMIC BRANCHES (AS %)

	1966-70	1971-75	1976-80 (Plan)
All	100	100	100
Industry	39.8	36.2	39.4
Construction	2.5	2.6	2.3
Agriculture, forestry and water conservancy	20.3	19.1	12.2
Transport and communications	13.5	13.5	12.3
Trade	3.5	4.6	
Communal Investments	20.4	24.0	

Source: Based on official figures for 1966-70 and 1971-75 results, and official targets for 1976-80

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TABLE 7 INDEX OF REAL INCOMES PER HEAD OF POPULATION 1970 = 100

	Income total	including - Incomes derived from social benefits		
		in money	in kind	total
1970	100	100	100	100
1971	104.5	109.4	106.1	107.6
1972	107.8	120.5	109.8	114.7
1973	113.2	136.6	116.7	126.0
1974	120.6	155.0	122.6	137.6
1975	125.0			

Source: Statisztikai Evkonyv 1974, except for figures for 1975 which are taken from provisional figures issued by the Hungarian Central Statistical Office.

In 1974 the share of per capita income derived from social benefits was 26 per cent: monetary social benefits provided 13.3 per cent of the total.

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Table 8 Per Capita Food Consumption
(kg per year)

	1965	1971	1974	1975	1980 plan
Meat and Meat products	51.6	59.5	66.4	70.5	76-78
Fish	1.6	2.2	2.6		
Dairy products *	97.1	111.2	118	130	155
Eggs	10.4	14.3	15		
Fats and oil	23.1	27.4	28.1		
Cereals	139.2	128.1	123.5		
Potatoes	84.3	72.1	68		
Sugar	30.1	34.5	37.5		

* Excludes butter which is included under "fats and oil".

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Table 9

Foreign Trade by Groups of Countries (million US\$)

	1970	1974	1975	Percentage Change 1975/74	Percentage Change 1975/70
<u>All Countries</u>					
Turnover	4821	10703	13362	24.8	177.2
Exports	2316	5728	6131	19.6	164.7
Imports	2505	5575	7231	29.7	188.7
Balance	-189	-447	-1100		
<u>Communist Countries</u>					
Turnover	3199	6626	9187	38.7	187.2
(Percentage Share)	(66.4)	(61.9)	(68.7)		
Exports	1550	3441	4428	28.7	185.7
(Percentage Share)	(66.9)	(67.1)	(72.2)		
Imports	1649	3185	4750	49.1	188.1
(Percentage Share)	(65.8)	(57.1)	(65.7)		
Balance	-99	+256	-322		
<u>Non-Communist Countries</u>					
Turnover	1622	4077	4184	2.6	158.0
Exports	766	1687	1703	0.9	122.3
Imports	856	2390	2481	3.8	190.0
Balance	-90	-703	-778		

Source: Statisztikai Havi Közlemények No 1, 1976.

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Table 10

Commodity Trade by Groups of Country in 1975 (million US \$)

	Fuels, Electric Energy	Raw Materials, Semi-finished products, spare parts	Machinery, Transport Equipment, Other Capital Goods	Industrial Consumer Goods	Raw Materials for Food Industry, Live Animals, Food Products	Total
<u>IMPORTS</u>						
<u>All Countries</u>	855	3055	1584	621	626	7231
(percentage share)	(11.8)	(42.2)	(21.9)	(8.6)	(8.7)	(100)
of which,						
<u>Communist Countries</u>	707	2053	1231	513	246	4750
% of total	82.7	67.2	77.7	82.6	39.3	
<u>EXPORTS</u>						
<u>All Countries</u>	106	1563	1888	1189	1385	6131
(percentage share)	(1.7)	(25.5)	(30.8)	(19.4)	(22.6)	(100)
of which,						
<u>Communist Countries</u>	23	978	1678	867	882	4428
% of total	21.7	62.6	88.9	72.9	63.7	

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Table 11

EXPORTS OF PRINCIPAL COMMODITIES

COMMODITY	UNIT	1970	1973	1974
Oil Products	000 tons	653.8	471.9	324.9
Bauxite	000 tons	660	659	559
Cast Sheet Glass	000 sq m	1527	2333	950
Pig Iron	tons	48584	206781	281203
Hot Rolled Steel Products	000 tons	182	188	175
Rolled Steel	000 tons	632	818	607
Tractors & Spare parts	m \$	8.0	14.8	20.6
Pharmaceutical basic materials	m \$	29.3	46.1	67.0
Machinery & equipment	m \$	594.8	1059.1	1419.5
of which: compressors	no.	8924	15005	18970
Portal cranes	no.	76	85	88
Elevators	no.	886	309	275
Metal Working machine tools				
" " " lathe type	no.	1720	2328	2335
" " " planer "	"	477	435	456
" " " drilling "	"	1160	898	1080
" " " milling "	"	637	643	511
Threshing Machines	"	92	133	139
Buses	"	4745	6792	7704
Lorries	"	1485	1129	466
Telephone Sets	"	6346	9236	9061
Cash Registers	"	2175	17850	22515
Industrial Goods	(m \$)	482.1	785.2	998.5
Agricultural Goods	" "	527.9	942.0	1248.6
of which raw meat	tons	43361	37711	82514
canned fruit	"	82027	103493	101089
canned vegetables	"	156142	185186	198704
canned meat	"	7775	16468	16828
sugar	"	20850	1814	11802
Cattle and calves for slaughter	000 tons	113	120	90
Horses and foals " "	" "	5.3	7.1	7.2
Pigs for slaughter	" "	2.7	9.9	22.3
Sheep " "	" "	23.9	21.0	20.5
Bread grains	000 tons	494.8	945.5	974.8
Fodder Grains	" "	140.0	88.4	14.0
Maize	" "	208.7	713.7	847.8
Edible Peas	tons	16494	30830	25677
Greens and Vegetables	tons	62012	82771	60724
Fruit	tons	305148	439844	437740
Sunflower seeds	tons	24142	23022	23334.

Source: Statisztikai Evkonyr 1974

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Table 12

IMPORTS OF MAJOR COMMODITIES

COMMODITY	UNIT	1970	1973	1974
Hard Coal and Anthracite	000 tons	1986	1470	1430
Crude Oil	" "	4349	6555	6817
Petroleum Products	" "	1027	1054	1127
Natural Gas	million m ³	200	200	200
Iron Ore	000 tons	3119	3712	4105
Crude Asbestos	tons	15236	21601	31731
Crude Phosphate	tons	46931	83088	81630
Crude Steel	"	55535	108650	93726
Hot Rolled semi-finished Steel	tons	214236	202158	142782
Cold Rolled Steel	000 tons	483	644	734
Copper	tons	24722	35422	42633
Aluminium	"	82044	140956	139399
Natural Rubber	"	17725	16577	22584
Synthetic Rubber	"	19902	24526	28190
Plastic basic Materials	"	77789	109225	113674
Artificial fertilisers	000 tons	1418	2162	2713
Coniferous Sawn wood	000 m ³	960	945	1019
Cotton	raw tons	97729	73012	75675
Machinery & equipment	m \$			
of which diesel motors	no	552	140	255
Travelling Cranes	"	494	281	394
Electric Trucks	"	1787	1161	1597
Machine Tools lathe type	"	758	261	530
" " drilling type	"	172	126	168
" " milling type	"	233	129	252
Tractors	"	4855	6672	5763
Tractor Ploughs	"	666	1125	1252
Cultivators	"	1482	1590	2260
Grain Combines	"	1472	1723	1839
Railway Freightwagons	no	2097	2310	2958
Buses	"	1658	614	1077
Lorries	"	15618	9508	17493
Typewriters	"	36465	28082	43500
Motorcycles	"	94979	82686	100668
Passenger Cars	"	48993	80713	89178

TABLE 12 (cont'd) IMPORTS OF MAJOR COMMODITIES

COMMODITY	UNIT	1970	1973	1974
Sugar	tons	34082	22095	16436
Unrefined vegetable oils and fats	"	12782	160336	207506
Cattle for breeding	no	1448	4510	7597
Bread Grains	tons	62487	902	2117
Fodder "	"	141436	265731	387806

Source: Statisztikai Evkonyr 1974.