

CONSEIL DE L'ATLANTIQUE NORD  
NORTH ATLANTIC COUNCIL

EXEMPLAIRE  
COPY

N°  
189

*Trans*  
ORIGINAL: ENGLISH  
29th May, 1967

NATO CONFIDENTIAL  
WORKING PAPER  
AC/89-WP/216

SUB-COMMITTEE ON SOVIET ECONOMIC POLICY  
ECONOMIC REVIEW OF COMMUNIST COUNTRIES:  
HUNGARY (2nd Review)

Note by the United Kingdom Delegation

SUMMARY AND CONCLUSIONS

This report is intended to supplement AC/89-WP/158 dated 26th April, 1965. There are no major changes in the basic data of the above document. Since the aims and methods of the economic reform are now more clearly discernible details of the new measures have been put at the head of this report.

2. The Hungarian economy has been rapidly industrialised since the war and the proportion of the employed population in industry is now higher than that in agriculture. Progress has been most marked in the chemical and engineering industries although industrial output generally has been hindered by the fact that Hungary is not self-sufficient in any raw material except bauxite. Despite improvements in farming methods and in the level of investment, agricultural production has increased only slightly in recent years.

3. With her shortage of raw materials and dependence on foreign trade Hungary has every incentive to be concerned with increasing the efficiency of her economy. A comprehensive reform programme involving some measure of decentralisation has recently been adopted although many of the details remain to be worked out. Certain preparatory measures have already been undertaken but the main elements of the new system will not be introduced until 1968. The whole programme is largely tentative and experimental and will probably be modified in the light of experience.

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4. Towards the end of the Second Five-Year Plan (1961 to 1965) the overall rate of growth declined considerably and targets for the 1966 to 1970 period are relatively modest and realistic. The emphasis in industry will be increasingly on reduction of costs and improvements in quality, rather than on production at any price. In agriculture only very modest growth is likely. There will probably be improvements in living standards but no spectacular rises are envisaged.

5. Hungary's trade with bloc countries and the West increased by about 40% in the 1960 to 1965 period. Trade with the Soviet Union and with Eastern European countries accounts for more than two-thirds of the total trade, over half of it with the Soviet Union alone. The Hungarians have been making persistent efforts to increase trade with the West which amounts to about a quarter of the total turnover (among NATO countries, the chief trading partners are West Germany, Italy, the United Kingdom and France). In her economic relations with the West, Hungary has been making serious efforts to develop co-operation with Western firms in joint industrial projects.

6. Hungary has recently signed trade agreements with all Eastern European countries for the 1966 to 1970 period, and through the auspices of the Council for Mutual Economic Assistance (CMEA) some specialisation has been established in the metallurgical, electro-technical and chemical industries. As a possible counter to Soviet bloc influence, the Hungarians have entered into long-term trade agreements with many Western countries, made enquiries about establishing relations with the EEC and in November last year obtained observer status with GATT.

7. Hungary's trade seems likely to continue to be closely linked with the Soviet Union and Eastern Europe in respect of raw materials and final products, although Western sources are being increasingly tapped for specialised and advanced equipment, including also further joint projects with Western firms. The continued drive for more trade with the West will be helped if the economic reforms should lead to Hungarian exports becoming more competitive in world markets.

#### ECONOMIC REFORMS

8. Since 1957 the Hungarian economic system has been based on centralised planning of the traditional kind but with numerous adaptations designed to make it operate more efficiently in changing circumstances. Measures introduced between 1957 and 1964 include a general adjustment of

producers' prices, a progressive reduction in the number of compulsory indices and plan targets, profit-sharing schemes, the amalgamation of enterprises into large industrial combines(1) and an annual charge on the gross value of fixed and working capital used for production. In this way and by avoiding over-ambitious planning Hungary did not experience the sort of economic crisis which might have provoked more drastic innovations.

9. Nevertheless, the pace of economic development in Hungary, as in other Eastern European countries, has tended to slacken in recent years. While this was foreseen to some extent when the Second Five-Year Plan (1961 to 1965) was drafted, the actual decline in the rate of growth, especially towards the end of the plan period, was much greater than anticipated. Although there was a satisfactory increase in industrial output, with major gains in the chemical and engineering sectors, a number of important targets were not fulfilled, including those relating to national income, agricultural production and real wages. During this period many of the recurrent weaknesses of the Hungarian economy, e.g. low productivity, high production costs, inferior quality of products and unsaleable production (possibly amounting to as much as 2½ per cent of the national product), became increasingly acute. Thus towards the end of 1964 the authorities accepted the need for a thorough review of the whole system of economic management, and a central commission and eleven sub-commissions composed of Party officials and economic experts were set up early in 1965 to draft proposals for reform. In November these were presented to the Central Committee which then approved the "guiding principles" of the new system. A lengthy period of discussion followed and a formal resolution containing a broad outline of the main proposals was finally approved by the Central Committee in May 1966.

10. The reforms envisaged in Hungary are generally similar to those already being undertaken in many other East European countries. Essentially they are designed to introduce an element of flexibility into what has hitherto been a fairly rigid centrally planned economy by allowing greater scope for the action of market forces. However, widespread decentralisation is not contemplated at this stage; all major decisions will be taken by the State and fairly tight overall control will be exercised in every sphere. The reforms will be introduced gradually and although several experiments are now being undertaken and some measures have

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(1) Between December 1962 and January 1964 the number of enterprises was reduced from 2,378 to 1,784.

already been introduced in certain branches, much of the detailed application of the new system still remains to be worked out. The preparatory period will last until the end of 1967 by which time all the necessary organizational changes should also have been completed. Widespread implementation will begin on 1st January, 1968 when what are described as the "fundamental elements" are to be introduced. If all goes well the introductory phase should be completed by about 1970.

#### NATURE OF THE REFORMS

11. Planning. In future central planning is to provide a relatively broad framework allowing greater scope for the exercise of independent judgement and initiative at lower levels. Medium-term (5 year) and long-term (10 and 15 year) plans will establish basic guide-lines and deal exclusively with major issues such as overall rates of growth, the distribution of State revenue, optimum correlations between investment and consumption, and changes in the regional distribution of production. Annual plans will consist largely of measures designed to regulate the economy and national targets will no longer be broken down into detailed directives comprising compulsory indices for each enterprise. Detailed operational plans will be drawn up by the enterprises themselves and the central authorities will co-ordinate production by means of economic regulators such as taxation, credit policy, exchange rates and control prices. Planning techniques are to be improved and mathematical methods will be more widely used.

12. Profits and Bonuses. Greater emphasis will be placed on purely economic criteria when assessing performance, profitability<sup>(1)</sup> replacing gross output as the main indicator of enterprise success. Wages and salaries will be linked more closely to performance and will consist of a guaranteed basic rate determined by the State and an additional "incentive" element, subject to an upper limit, depending on the size of the enterprise profit. The State will make two basic levies on profits; a fixed annual contribution apparently based on the previous years results and a tax on the profits remaining after payment of the basic contribution. The balance will be retained by the enterprises and may be used for replenishing reserves, investment, welfare services and incentive payments. The proportion of the net profit which may be allocated for these various purposes will be fixed by the State and will fluctuate according to the size of the profit. The sums put aside for investment plus amortisation will constitute the enterprises' own financial resources and may be used to replace capital equipment and, within strict limits, for development.

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(1) Defined as the ratio of total profit to the capital involved.

13. Status of the Enterprises. Thus in theory fairly extensive powers of decision should devolve on enterprise managers. In addition to planning their own production, they will take decisions within limits on investment and development, and on the distribution of incentive payments among their workers. The central allocation of materials will be largely superseded by more normal trading methods and enterprises will be free to decide from whom they purchase their materials, to establish direct contacts with their suppliers, to decide delivery terms and to fix prices within the general limits laid down by the State. To some extent they will be allowed to choose between domestic or imported goods and to decide whether to sell their own products on domestic or foreign markets.

14. Prices. A greater element of realism and flexibility will be introduced into the system of price formation. The proposals state that price trends are to "develop" under the influence of costs of production, value judgements of the market and State preferences, although exactly what this is likely to mean in terms of practical application remains somewhat obscure. There will be three categories of prices, those fixed by the State, those free to fluctuate within limits and free prices. The first category will include prices of basic raw materials and agricultural produce, staple consumer goods and services; the second will include construction materials, certain other raw materials and a wide range of consumer goods; the third will apparently apply to capital equipment, semi-processed products and spare parts jointly manufactured, and some consumer goods(1). The reform of prices will also be used to co-ordinate agricultural and industrial price levels. For this purpose prices paid by the State for agricultural produce will be increased further by 1970. It is intended that any increase in consumer prices resulting from these changes should be largely offset by adjustments in the rate of turnover tax.

15. Investment. Regulation of investment will be one of the chief levers by which the central authorities will control the development of the economy. The total volume of investment, its allocation between the various branches and the financing of important projects in both the productive and non-productive spheres(2) will remain under central control,

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- (1) During the period 1968 to 1970 about 20% of the total turnover of consumer goods will come within the first category, 50% will be subject to upper and lower limits or to an upper limit only, while 30% will be entirely free.
  - (2) Such projects include the construction of new factories and housing estates, extension of the power and communications networks, major developments in public health and education, etc.

but the State will largely cease to lay down detailed directives for minor investments. Enterprise managers will make their own decisions concerning the renewal of plant and, to a limited extent, the enlargement of their fixed assets, investments of this sort being financed either directly from enterprise funds or by means of interest bearing bank loans. Nevertheless, the State will retain overall control by regulating both the amount which may be withdrawn from enterprise funds and the credit facilities allocated to each branch of the economy. To some extent enterprises will have to compete for credit, the banks deciding to whom they will lend and on what terms in accordance with purely economic criteria. It would appear that the rates of interest charged will be variable. Enterprise managers will be free to accept or reject the terms offered by the bank but it is not clear what alternative, if any, there would be should they choose to reject them. In cases where investments of a productive nature are financed from the State budget the enterprise will be required to make some form of restitution in proportion to the value of the fixed capital received. This will be separate from the 5% charge on capital introduced in 1964.

16. Competition. The reforms are expected to cause some further concentration of the means of production through mergers, and in order to counteract monopolistic tendencies, as well as to promote greater all round efficiency, some element of competition will be introduced. This will apply especially to the production and marketing of consumer goods, while in the field of services competition between State enterprises and the private sector is apparently envisaged. Whether this is likely to amount to very much remains to be seen; the proposals are vague and somewhat contradictory, especially concerning the rôle of imported goods, and the whole process will be so carefully controlled that it may well be self-defeating.

17. Labour. Some redeployment of labour is clearly envisaged and a number of unprofitable or inefficient enterprises may be closed down, but it is not yet known how these problems are to be tackled or even on what scale they are likely to arise. It is intended that the rôle of the trade unions should increase in importance, but "factory democracy" will not be allowed to obstruct individual responsibility in management and the principle of one-man leadership is to prevail as regards the main decisions.

REFORMS IN AGRICULTURE

18. The reforms in agriculture began in the latter half of 1965. The aim is that planning should be confined to broader general requirements and disposal of output based more on long-term contracts that increase the producers' security. Various measures have already been taken to put the farms on a sounder financial footing and increase their independence.

REFORMS IN FOREIGN TRADE

19. The changes envisaged in foreign trade, like those in the domestic sphere, are designed to improve efficiency and provide greater incentives. Plan targets will no longer be broken down to enterprise level and enterprise plans will not require central approval. Trade will continue to be conducted primarily by the specialised foreign trade corporations, acting chiefly as agents, but greater latitude will be given to the larger manufacturing enterprises entitled to import and export on their own behalf. To bring the values of the domestic market more into line with those of foreign markets protection of domestic production will be reduced and more imports, particularly of consumer goods, will eventually be allowed. Export prices will be based on what the enterprise judges the market can bear and what it finds profitable to accept. Profits made through exports will constitute an integral part of enterprise profits. Enterprises will not be allowed to retain any part of their foreign currency earnings, though they will receive preferential treatment in allocation of foreign exchange for goods they may wish to import. The foreign exchange conversion rates used for trade transactions (i.e. the rates at which exporting enterprises are paid in forints for the foreign currency value of their sales abroad(1)) will be uniform for each foreign currency, but will not be related to the official gold content of the forint. The central authorities will exercise overall control primarily by economic means such as exchange rates and subsidies(2), customs tariffs and financial policy. In addition many imports will require licences, as will exports to a few countries.

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- (1) A rate of 60 forints to the United States dollar has been suggested compared with the present official rate of 11.74 forints.
- (2) Subsidies will be sparingly granted. Variations in the proportion of profits to be retained may also serve as subsidies.

LIKELY SUCCESS AND EFFECTS

20. It is still far too early to draw any valid conclusions concerning the likely outcome of the Hungarian reforms. Some of the new measures or certain aspects of them have already been introduced and there has been much comment and speculation in the press, but this is hardly sufficient to permit a serious assessment. The resolution approved by the Central Committee in May 1966 is in many respects obscure and evasive, suggesting a need to accommodate the widely differing views held by Party members and possibly an element of indecision regarding some of the actual measures to be adopted. The whole programme is largely tentative and experimental and it will almost certainly be refined, developed or otherwise modified in the light of experience. Furthermore the reforms are to be implemented gradually and it will be some time before they are fully operational, let alone fully effective. Even if the programme is carried out as planned the results will probably not become apparent before 1970 at the earliest.

21. Whether the Government continues to support the new ideas is likely to depend on the degree of success achieved in the early stages. This in turn will largely depend on whether the authorities can secure the co-operation of all concerned in carrying out their new policies. The advocates of reform are believed to have encountered lively opposition from the more conservative elements especially in the middle ranks of the Party, and opposition on ideological grounds is likely to have been reinforced by Party bureaucrats and others with a vested interest in the traditional system. Neither has it been possible to discern much enthusiasm for the reforms even among those outside the Party who stand to gain most from them, many of whom appear nervous at the prospect of losing the conditions of security and freedom from responsibility to which they have become accustomed. Furthermore there is likely to be a shortage of management personnel who are not only able and willing to take decisions but are also technically qualified. If these problems can be overcome the success of the whole programme will ultimately depend on finding a satisfactory solution to the complex problem of prices, and on the efficient handling of the general monetary and fiscal controls which will become increasingly important for the direction and stabilisation of the economy as detailed physical controls are relaxed. Of these Hungary has had little recent experience.

22. Finally, the reforms are likely to create many new problems and may also perpetuate some old ones in a different guise. Quite apart from the possibility of inflation and unemployment, both of which would probably arise if the new measures were pursued to their logical conclusion, the bureaucratic machinery necessary to regulate the operation of the system could become just as rigid and unwieldy as its predecessor.

### THIRD FIVE-YEAR PLAN

23. The Third Five-Year Plan covering the period 1966 to 1970 was approved by the National Assembly in June 1966, several months later than would normally have been the case, due to the need first to complete and secure the adoption of the proposals for economic reform. In accordance with the new principles the number of indices and compulsory targets have been considerably reduced and the plan contains only a broad outline of the more important trends. In all other respects, however, it is a direct continuation of the Second Five-Year Plan; overall rates of growth are generally more modest and perhaps more realistic than those of earlier years, but the priorities remain the same as before with the accent on the development of heavy industry. The general implications of the new plan will be evident from Table 2, comparing certain key figures with the actual results achieved during the previous period.

24. National income is to increase by the relatively low figure of 19 to 21 per cent. The proportion absorbed by accumulation and consumption remains virtually unchanged, but the plan does not contain any figures relating to the division of the national income between the individual branches of the economy or between the socialist and private sectors. There is unlikely, however, to be any significant change in the relative shares of the latter, which in 1965 were 96.8 per cent and 3.2 per cent respectively.

25. Industrial production is to increase by 32 to 36 per cent, four-fifths of which is to be attained by increased productivity. The output of the chemical industry is scheduled to rise by 55 to 60 per cent and that of the engineering industry by 40 to 45 per cent, while further above average increases are envisaged in the electric power and aluminium industries. In light industry on the other hand the overall increase will be well below average and its position in relation to heavy industry will decline further by 1970. The supply of energy to industry will depend increasingly on petroleum and natural gas which will ultimately account for 37 to 39 per cent of total fuel

consumption. There is considerable emphasis on the need to apply new technology, to modernise plant and machinery and to reduce production costs, all of which are essential in order to increase productivity and improve the quality and export potential of Hungarian products.

26. Agricultural production. 1961 to 1965 had been envisaged as a period of transition to modern, large-scale methods of farming, made possible by collectivisation. Substantial improvements in performance were anticipated but it became apparent that the average increase in gross output would not exceed 2 per cent a year, half what was planned. Net production, which excludes the value of fodder and seed used and other production expenditures at the farms, remained at around the same level as in 1960 or indeed 1958, despite the fact that agriculture had absorbed almost one-fifth of all investment during the five year period, application of fertilisers had more than doubled and very considerable advances were made in mechanisation.

27. For 1966 to 1970 expectations were set lower at the outset. The plan calls for gross output to increase by an average of 2.5 to 3 per cent a year and some Hungarian agriculturalists have even suggested that no more than 2 to 2.5 per cent may be feasible because of the hazards of unfavourable weather. The aim is that food consumption should increase at the same rate as actually achieved in 1961 to 1965, i.e. 12 per cent in five years, that agricultural exports should rise by 50 per cent and agricultural imports remain at the 1965 level, without substantial imports of bread grain and possibly some decrease in imports of fodder. Although there will be continued pressure for more mechanisation, soil and pasture improvement and increased use of fertilisers, investment in agriculture will be only about 10 per cent higher than in 1961 to 1965 and its share in total investment will fall.

28. One of the main reasons for the lack of progress in 1961 to 1965 and acceptance of lower objectives for 1966 to 1970 is the decline in the labour force (see paragraph 31). Measures being taken to encourage the farmers include higher procurement prices introduced at the beginning of 1966 and some limited concessions to private farming.

29. Investment. A total of between 250,000 to 260,000 million forints will be invested in the economy, an increase of about 25 per cent over the 1961 to 1965 period. Industry will absorb 46 to 50 per cent, agriculture 16 to 18 per cent, transport 14 to 16 per cent, and the non-productive branches 16 to 20 per cent. Although the plan contains no further details regarding the pattern of investments, a major

share of industrial investment is clearly intended for the chemical, engineering and aluminium industries, and for the more intensive development of the country's energy supplies. High priority will be given to the modernisation and extension of existing plants and to the completion of earlier investments.

30. Transport and communications facilities will be improved and expanded with particular emphasis on modernisation of the railways, where the share of diesel and electric traction is to be substantially increased.

31. The labour force will rise by between 160,000 and 200,000 and by 1970 a 44 hour week should have been introduced throughout industry. The number employed in agriculture is expected to fall by about 400,000 even though it has already declined from 1.9 million to 1.5 million during 1961 to 1965. The numerical reduction is, however, less a cause for anxiety than the quality of the labour force, especially since the average age of co-operative farm workers is now 55 years. Measures taken to attract and retain younger, trained workers and those better able to adopt and exploit new methods include the introduction of sickness benefits, family allowances and a pensions scheme for co-operative farm members, with further improvements, including a guaranteed wage, envisaged for the future.

32. Consumption is expected to increase by 19 per cent with annual increases of 2 per cent in real wages and 3 per cent in real income. These figures suggest that there is likely to be only a gradual rise in the standard of living although there should be some improvement in the range and quality of the goods available. The housing shortage is likely to continue although it is planned to build 300,000 new dwellings, two-thirds of them financed from private sources. The capacity of the building industry will be increased and greater reliance will be placed on prefabricated structures.

33. Although the new period started with a certain lack of momentum, 1966 was on the whole a fairly good year for the Hungarian economy. National income, industrial production and exports increased by more, and imports by less, than was expected, productivity continued to rise and production costs were reduced. Agricultural performance improved and for the second year running the yields of bread grains were sufficient to meet the country's needs. The prices and incomes measures taken in February 1966 introduced more realistic prices for certain goods and services without apparently having any significant effect on the standard of

living. Nevertheless, the targets contained in the 1966 plan were relatively modest and a number of serious weaknesses remain, including the high cost of exports(1), the continued accumulation of unsaleable stocks and deficiencies in the realisation of investments. More than 100 investment projects which should have been completed in 1966 remained unfinished, and in many cases the original cost estimates were exceeded.

34. The plan for 1967, the second of the two preparatory years leading up to the introduction of the reforms, envisages a further period of modest economic growth. The budget is balanced at the record figure of 104,700 million forints, about 80 per cent of the revenue being derived from levies on State enterprises. Expenditure on social and health services is to increase by 6.2 per cent, that on educational and cultural services by about 5 per cent and defence spending by 6.5 per cent. A sum of 24,100 million forints has been allocated for State investment and for investment in the co-operative sector in the form of credits and subsidies. Total investment in 1967 will amount to 49,000 million forints, the difference being financed from the funds held by enterprises and co-operatives, and by amortisation. The Government will pursue a more selective investment policy, giving priority to the completion of existing projects and to investments that are likely to improve the balance of payments.

35. The Hungarian Third Five-Year Plan is in many respects the most moderate of the plans now being undertaken in Eastern Europe. It is also one of the most realistic and although industrial growth will continue to be constrained by an increasingly tight supply of labour and by the heavy investment requirements of the capital-intensive industries, most of the major targets should be attained without undue difficulty. The economy will probably emerge somewhat stronger and better balanced than before, but with a continued weakness in agriculture, with difficulties in the balance of payments, and with no striking improvement in the standard of living. In the last resort, however, much will depend on the success of the economic reforms and the willingness of the working population to accept their implications.

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(1) In 1966 the price levelling fund (in effect a government subsidy designed in part to bring the price of exports down to world levels) exceeded the 4,800 million forints allocated in the estimates, thereby causing a budget deficit.

FOREIGN TRADE AND ECONOMIC CO-OPERATION

Importance of Foreign Trade to the National Economy

36. Hungary ranks fifth among Soviet bloc countries in total foreign trade turnover. In terms of foreign trade per head she lies third after Czechoslovakia and the GDR; this rose from \$185 in 1960 to \$294 in 1965. Foreign trade is vital to the growth of Hungary's economy, since she lacks many of the basic raw materials required for the development of her industry. Thus imports formed 11 per cent of GNP in 1965.

37. Total turnover grew by 64 per cent between 1960 and 1965, from \$1,850 to \$3,030 million (see Table 9). This represents an average annual rate of growth of 10 per cent. Preliminary figures for 1966 show a total turnover of \$3,153 million, an increase of 4 per cent over the previous year.

Trade Pattern

38. Bloc Trade. About 70 per cent of Hungary's foreign trade was with the bloc in 1965, over half of it with the USSR alone. Hungarian-Soviet trade increased by 88 per cent between 1960 and 1965, but trade with the rest of the bloc increased by only 33 per cent, and the share of these countries in total trade has fallen steadily. The chief trading partners in Eastern Europe are Czechoslovakia (10 per cent of total in 1965), GDR (9 per cent) and Poland (6 per cent). Trade with China has not figured in Hungarian returns since 1962, when it represented only 1 per cent of total (compared with 5 per cent in 1959).

39. Trade with the West. About 25 per cent of Hungary's trade turnover was with countries of the industrial West in 1965. Among NATO countries the principal trading partners are West Germany, Italy, the United Kingdom and France their trade with Hungary increasing from \$236 million in 1960 to \$385 million in 1965. There was a striking 37 per cent increase in trade with NATO countries in 1963 largely accounted for by increased purchases of grain from the United States and France accompanied by an equivalent rise in exports particularly to Italy. Outside NATO, Austria, Switzerland, Sweden, Finland and Japan are important trading partners. Trade with these countries too grew rapidly in 1963 chiefly because of larger imports of railway engines from Sweden. Since then trade has tended to stagnate and even declined fractionally in 1965, partly because of restrictions on the export of live cattle and beef following an outbreak of foot and mouth disease and

partly because of a fall in imports from Japan. Trade with the United States of America and Canada remains extremely small with the exception of 1965 when imports of Canadian wheat were valued at nearly \$5 million.

40. Trade with the developing countries. This has expanded rapidly in the last few years, and its share in total trade turnover grew from 6 per cent in 1960 to 9 per cent in 1965. This trend can be expected to continue, as these countries provide an alternative outlet for Hungarian industrial products which are not easily marketable elsewhere.

#### Balance of Trade

41. Apart from a small export surplus in 1961, Hungary had annual deficits in her overall trade between 1959 and 1964, both with the bloc and the free world. However the figures for 1965 and 1966 show an improved position, with export surpluses on trade with the bloc, giving an overall surplus in 1966 (preliminary figures), and only a small overall deficit in 1965. Trade with the USSR has shown a continuing imbalance, which was reduced in 1963 and 1964, but increased again in 1965. Among NATO countries Hungary normally runs a small deficit primarily because of her continuing need to import advanced industrial equipment, much of it bought on long or medium term credit. Only with Italy is there consistently a favourable balance, principally on account of the large quantities of Hungarian foodstuffs which Italy consumes.

#### Commodity structure

42. Imports. Raw materials and semi-finished products accounted for about half of total imports in 1965, illustrating Hungary's relative lack of mineral resources. Imports of machinery and equipment have grown rapidly and now constitute about a third of all imports. Some four-fifths of Hungary's imports of capital equipment and industrial consumer goods come from the bloc, as do about two-thirds of all raw materials and semi-finished products. Hungarian imports of Western industrial equipment, though still relatively small, have increased in recent years. The USSR supplies most of Hungary's requirements of coke, iron ore, pig iron, crude oil and cotton and also provides large quantities of coal, non-ferrous metals, timber, chemicals and artificial fertiliser. Half of Hungary's imports of agricultural machinery come from the USSR.

43. Exports. In contrast to imports, Hungarian exports are spread more evenly over the various groups. Machinery and equipment exports (one-third of total) have grown in recent years with Hungary's increasing output of precision instruments, telecommunications and electrical equipment and specialised machine tools. Industrial consumer goods make up another 20 per cent of total exports. In both these categories the major part of exports go to the bloc, which also takes over half of Hungary's exports of raw materials and semi-finished goods. However exports of foodstuffs (22 per cent of total in 1965) are divided almost equally between the bloc and the free world, and they therefore account for a significant proportion of Hungary's convertible currency earnings.

#### ECONOMIC CO-OPERATION WITH EAST AND WEST

##### Hungary's Relations with CMEA (COMECON)

44. Hungary's trade with other bloc countries is organized on the basis of long term bilateral agreements with annual protocols, and she has signed agreements with all the CMEA countries for the 1966 to 1970 period. She has also set up bilateral commissions for economics, scientific and technical co-operation with most of these countries, and, within the framework of these commissions, trade agreements and other bilateral matters are negotiated.

45. Under CMEA's specialisation plans, Hungary has been allotted in particular the production of equipment for the metallurgical, electro-technical and chemical industries. She is also taking part in a number of joint projects such as the "Friendship" Pipeline for the distribution of oil, the Ball Bearing organization and Intermetal, an iron smelting organization which has its headquarters in Budapest. In 1964 the USSR and Hungary agreed to carry out the joint production of buses and lorries, and they are also co-operating in the production of aluminium.

##### Hungary's Relations with Western Economic Organizations

46. The trend in the past few years has been to replace one-year bilateral trade agreements with Western countries by long-term (mostly 4 or 5 year) agreements within which protocols are negotiated annually for the commodities and quantities to be exchanged. Long-term agreements are in operation with the United Kingdom, France, Italy, Austria, Benelux, Denmark, Finland, West Germany, Greece, Norway, Sweden and Canada.

47. Hungary was granted the status of observer with GATT in November 1966, the same position as that held by Rounania. Hungary, however, has not been attending the Kennedy Round talks. She has been among the East European countries that have on occasions made enquiries about establishing relations with the EEC.

Hungarian Co-operation with Western Companies

48. Hungary has also been active in co-operating with Western firms either by purchasing or selling the right to manufacture under licence or by agreements for industrial and technological collaboration, including joint marketing in third countries. Licensing arrangements include one with Brown Boveri of Switzerland for the manufacture of stean turbines of 200 MW. and upwards including types for use in large atomic power stations. With the United Kingdom firm of Coventry Grange and Tool Company they have a licence to manufacture and sell thread grinding machines.

49. Hungary has gained access to advanced technology through agreements signed with Western countries, the exact form varying with each contract. There are already a considerable number of such agreements covering many industrial products and it is a form of co-operation that is likely to grow with the move towards freer East-West relations. The following table indicates only a few of the more important agreements.

<u>Country</u>	<u>Firm</u>	<u>Hungarian Firm or Agency</u>	<u>Product</u>
<u>West Germany</u>			
	1. Krupps	Csepel Works	Lathes
	2. H. Schwarz	Nikex foreign trade association	Semi-hydraulic pit props
	3. Spilling Werke	Ganz electrical	Industrial generating units
<u>France</u>			
	1. Alsthom and Neyrpic	Ganz-MAVAG	Hydro-electric plant.

<u>Country</u>	<u>Firm</u>	<u>Hungarian Firm or Agency</u>	<u>Product</u>
<u>France/West Germany</u>			
	1. Renault MAN and Ferrostahl	Contract with Technoinpex foreign trade association	Complete plant to manufacture diesel engines for lorries and buses.
<u>United Kingdom</u>			
	1. Dobson	National Mining Machinery Factory	Self-propelled mining safety equipment.
	2. ICI	State office for Technical Development	Evaluating the use of bipyridyl herbicides
<u>Austria</u>			
	1. Simmering - Graz - Pauker	Komplex foreign trade association	Construction power stations
	2. Österreichische Stickstoffwerke	Chemical firms	Pharmaceuticals Negotiating on synthetic fibres

PROSPECTS FOR FOREIGN ECONOMIC RELATIONSFuture Trade Relations with the Communist World

50. Because of her own inadequate resources, Hungary is likely to continue to be dependent to a large degree on trade with the USSR. The long-term trade agreement between them for the 1966 to 1970 period stipulates a 50 per cent increase in value over the previous five years. However the rate of growth of trade with the East European countries (whose share in Hungary's total trade has fallen steadily since 1960) may continue to decrease, as Hungary makes more strenuous efforts to increase trade with the West. Indeed Hungary's imports from each of her East European partners in 1965 were less than in 1964.

Future Trade Relations with the West

51. Although Hungary's foreign trade is still predominantly directed towards the bloc, trade relations with the West are likely to be extended because her need for up-to-date machinery and equipment (including complete plant). If Hungary were to follow Rumania in establishing diplomatic relations with West Germany an expansion of trade would follow. The economic reforms currently taking place in Hungary could lead eventually to their exports becoming more competitive on world markets. This would help to offset the expected expansion of imports from the West and should result in increased trade generally. How far this process can be carried must depend on the success of the economic reforms. In order to extend trade contacts Hungary may be expected to continue to show interest in establishing relations with Western economic organizations (see paragraph 47).

OTAN/NATO,  
Paris, (16e).

H U N G A R Y

Surface area: 93,030 sq.km.; population 10,166,000  
 estimated GNP (1965): \$10.7 billion; per capita: \$1,050;  
 official rate of exchange: 11.74 Forints = United States \$1.

TABLE IDEVELOPMENT OF THE HUNGARIAN ECONOMY

Basic Economic Indicators  
 (1960 = 100)

	1961	1962	1963	1964	1965
Net Material Product	106	111	118	123	125
Gross Industrial Production	110	119	127	138	145
Gross Agricultural Production	101	102	108	113	108
Productivity in Industry	107	112	116	121	127
Volume of Investments	92	106	122	128	129
Real Wages	100	102	106	109	109
Real Income	100	103	112	118	118
Retail Trade	102	107	116	125	130
Foreign Trade Turnover	111	122	136	153	161
Imports	105	118	134	153	156
Exports	118	126	138	155	173

Source: Based on Hungarian official statistics.

TABLE 2

SECOND FIVE-YEAR PLAN RESULTS AND 1966 TO 1970 PLAN

	1961-65		1966-70
	Planned Increase	Actual Increase	Planned Increase
	Percentages, unless otherwise indicated		
<u>National Income</u>	36	25	19-21
<u>Investment</u>	180,000 Million Forints	202,777 Million Forints	250-260,000 Million Forints
Of which:			
(1) Industry + Construction	48.0	44.4	46-50
(2) Agriculture	20.0	19.0	16-18
(3) Transport + Trade	13.4	14.9	14-16
(4) Non-productive branches	18.6	21.7	16-20
<u>Gross Industrial Production</u>			
Of which:			
(1) Mining	32	30	
(2) Power	55	53	
(3) Metallurgy	45	30	
(4) Engineering	63-65	58	40-45
(5) Building	40	35	24-28
(6) Building Materials	44	36	25-30
(7) Chemicals	75	89	55-60
(8) Light Industry	42	38	20-24
(9) Food Processing	40-42	43	28-32
<u>Productivity</u>	32-33	27	24-27
<u>Gross Agricultural Production</u>	22-23	10	13-15
<u>Foreign Trade</u>	46	61	46
(1) Imports	33	56	
(2) Exports	61	73	
<u>Retail Trade</u>	23	30	19-21
<u>Labour Force ('000s')</u>	300	76	160-200
<u>Real Wages</u>	13	9	9-10
<u>Real Income</u>	16-17	18.4	14-16
<u>Housing ('000 units)</u>	250	282	300

Source: Hungarian statistics.

TABLE 3DEVELOPMENT OF MAIN INDUSTRIAL BRANCHES1961 TO 1966Percentage change in output from preceding year

	1961	1962	1963	1964	1965	1966
Mining	5.9	4.2	8.4	5.2	2.1	
Energy	6.3	8.8	8.4	6.2	7.0	
Metallurgy	8.4	7.7	3.9	5.2	2.6	7.0
Engineering	13.6	11.2	6.4	9.8	4.8	9.0
Building materials	3.5	6.6	2.4	15.1	4.4	10.0
Chemicals	22.7	13.0	11.0	12.7	10.4	12.0
Light industries	9.3	5.6	6.5	7.4	4.0	7.0
Food processing	13.5	7.5	8.1	9.6	1.7	3.0

Sources: AC/89-WP/194 and Hungarian official statistics.

TABLE 4

MAJOR INDUSTRIAL PRODUCTS 1961 TO 1965 AND 1970 (PHYSICAL OUTPUT)

	Unit of account	1961	1962	1963	1964	1965	1970 plan
Electric Power	million KWh	8.4	9.1	9.7	10.6	11.2	15.1
Coal	million tons	28.2	28.7	30.5	31.5	31.4	32.0
Crude Oil	"	1.46	1.64	1.76	1.80	1.80	1.75
Natural Gas	billion cu.m.	0.32	0.34	0.61	0.78	1.11	3.3
Bauxite	million tons	1.37	1.47	1.36	1.48	1.48	3.1
Allumina	"	0.22	0.23	0.24	0.25	0.27	0.45- 0.47
Pig Iron	"	1.31	1.38	1.39	1.49	1.58	1.8- 1.9
Crude Steel	"	2.05	2.33	2.37	2.36	2.52	2.9- 3.0
Rolled Steel	"	1.45	1.61	1.63	1.65	1.72	2.7
Mineral Fertilisers (in terms of pure content)	1,000 tons			167.7	191.9	265.0	
Sulphuric Acid	"	189.0	212.0	266.6	322.1	378.0	
Caustic Soda	"	18.8	24.2	40.0	45.4	50.0	
Plastics and Resins	"	14.2	15.6	19.8	24.8	26.7	
Synth. + Artif. Fibres	"	4.3	4.9	5.6	5.5	6.3	
Cement	million tons	1.6	1.7	1.8	2.3	2.4	2.7- 2.8
Paper	1,000 tons	151.0	161.0	162.0	173.0	174.0	290.0- 300.0
Metal Cutting Machine Tools	1,000			8.1	8.6	8.8	
Tractors	"	2.5	2.6	3.1	3.0	3.0	7.0

	Unit of account	1961	1962	1963	1964	1965	1970 plan
Elec. + Diesel Locomotives	units	249.0	248.0	205.0	168.0	154.0	
Freight Cars	1,000	0.38	0.41	0.10	0.58	0.54	
Buses	"	2.0	2.3	2.4	2.5	2.8	7.0
Lorries	"	3.4	3.7	3.7	3.8	4.4	5.9
Television Sets	"	178.0	210.0	251.0	270.0	267.0	
Radios	"	245.0	258.0	170.0	155.0	230.0	
Dom. Refrigerators	"	12.0	17.0	36.0	70.0	103.0	
Dom. Washing Machines	"	125.0	132.0	168.0	174.0	182.0	
Bicycles	"	297.0	286.0	260.0	266.0	257.0	
Cotton Fabrics	million sq.m.	255.0	272.0	283.0	304.0	324.0	
Woollen Fabrics	"	33.8	34.1	34.7	35.7	35.1	
Leather Footwear	million pairs	23.2	22.8	23.9	24.9	25.7	
Meat	1,000 tons	197.0	223.0	212.0	208.0	222.0	310.0- 315.0
Butter	"	15.5	14.6	17.7	19.1	17.0	
Sugar	"	434.0	358.0	375.0	449.0	428.0	
Vegetable Oil	"	38.4	42.0	46.8	53.9	41.1	

Sources: AC/89-WP/194 and Hungarian official statistics.

TABLE 5  
AGRICULTURAL PRODUCTION  
 (Official Statistics)

Gross Agricultural Production

(1956 to 1960 = 100)

<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u> (preliminary)
104	104	106	111	117	110	115-116

Net Agricultural Output

(1960 = 100)

<u>1938</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u> (preliminary)
100	95	97	102	105	94	102

Physical Output

Thousand metric tons

<u>Crops</u>	<u>1961-65</u> <u>Annual</u> <u>Average</u>	<u>1965</u>	<u>1966</u> <u>Preliminary</u>
Grain	6,638	7,295	
Wheat	1,965	2,347	2,200
Rye	259	288	
Maize	3,316	3,564	
Barley	966	1,012	
Others	132	84	
Sunflower Seeds	110	75	
Sugar Beet	3,090	3,452	3,500
Potatoes	1,735	1,485	1,400
Maize for green fodder and silage	4,041	4,462	

Livestock Products

Meat (dead weight)		612 (1964)
Milk (thousand metric tons)	1,840	1,800
Eggs (millions)	1,996	2,285
Wool (thousand metric tons)	9.8	10.2

Livestock Population

thousands

	<u>1961-65</u> <u>Annual Average</u>	<u>March 1966</u>
Cattle	1,939	1,975
of which Cows	801	766
Horses	364	295
Pigs	6,216	5,799
Sheep	3,048	3,270

TABLE 6

Utilisation of Land 1965

	<u>Total Land Area</u>	<u>Agricultural area(1)</u>					<u>Maize (for grain)</u>	<u>Vineyards and Orchards</u>	<u>Meadows and Pastures</u>
		<u>Total</u>	<u>Arable</u>	<u>Grain</u>	<u>Wheat</u>				
Thousand hectares	9,303	6,954	5,084	3,120	1,082	1,218	415	1,304	
in % of Total	100	74.8	54.5	33.4	11.6	13.2	4.5	14.0	

(1) Excludes Forests

Stock of Major Agricultural Machines

	<u>Tractors</u>	<u>Tractor Ploughs</u>	<u>Tractor Sowing Machines</u>	<u>Grain Combines</u>
1960 end year	41,015 (129 hectares arable land per tractor)	36,549	15,026	4,167
1965	63,600 (80 hectares arable land per tractor)	52,000	22,500	8,430

Consumption of Fertilisers

	<u>Total Active Substance (thousand tons)</u>	<u>Application of Active Substance (per hectare of arable land)</u>
1960	168	31.5
1965	357	70.3

Yields (Quintals Per Hectare)

	<u>Wheat</u>	<u>Rye</u>	<u>Maize for Grain</u>	<u>Barley</u>	<u>Sunflower Seeds</u>	<u>Sugar Beet</u>	<u>Potatoes</u>
Annual Average 1931-40	13.7	11.2	18.7	13.5		203.4	68.6
Annual Average 1956-60	15.0	11.4	23.1	17.9	11.0	212.0	104.6
Annual Average 1961-65	18.6	10.8	26.1	18.7	9.6	246.4	79.1
Annual Average 1965	21.7	11.7	29.2	20.2	7.9	286.1	71.9

Socialisation in Agriculture

	<u>State Farms and Other State Enterprises</u>	<u>Co-operative(1) Farms</u>	<u>Private(2) Farms</u>	<u>Private(3) Plots</u>
As percentage of 1950		4.4	89.0	1.4
arable land 1962	5.2	69.5	3.6	12.7
1965	14.0	70.7	3.0	12.1
	14.3			

- (1) Household plots of co-operative members included under "Private Plots".
- (2) Farms larger than 0.58 hectares owned or leased by private individuals.
- (3) Auxiliary farms (State employees' private plots) and household plots of co-operative members.

TABLE 7ACTIVE EARNERS BY ECONOMIC BRANCHES(1)

(At the beginning of the year)

(Thousands)

	1949	1960	1964	1965
Industry	780.1	1,323.6	1,503.9	1,568.9
Building Industry	75.6	269.2	284.6	287.7
Agriculture	2,190.9	1,929.1	1,559.6	1,530.0
Transport and Communications	162.0	282.0	306.7	311.7
Trade	213.3	314.1	366.7	346.0
Services		133.9	151.3	146.7
Welfare, Cultural and Health Service	600.8	237.4	297.9	299.0
Civil Service		101.5	106.2	104.4
Other		235.7	281.0	308.0
Total:	4,022.7	4,826.5	4,857.9	4,902.4

- (1) Includes workers and employees of the productive and non-productive branches, home-workers, juvenile auxiliary workers and apprentices, working members and employees of agricultural and industrial co-operatives, unpaid family members working on household plots, earners in the private sector of agriculture, as well as self-employed craftsmen and retailers and all other self-employed persons.

Source: Hungarian official statistics.

TABLE 8

BREAKDOWN OF GROSS FIXED INVESTMENT(1)

a. BY BRANCHES OF THE ECONOMY (PERCENTAGES) SINCE 1947

	<u>"Productive" Sectors</u>					<u>"Non-Productive"</u>
	Industry	Construc- tion	Agricul- ture	Transport	Trade	Sectors Housing, Communal Services, Administration etc.
1947-49	32.7		17.1	20.7	2.4	27.1
1950-54	44.2	2.6	13.8	12.7	2.5	24.2
1955-57	43.5	1.5	16.8	8.3	3.6	26.3
1958-60	41.9	1.9	17.8	12.0	3.5	22.9
1961-65	42.1	2.3	19.0	11.5	3.4	21.7

b. BY TYPE OF INVESTMENT AND BRANCHES OF THE ECONOMY  
(percentages and amounts spent)

	1958-60		Average		1965	
	Million Forints	% Share	Million Forints	% Share	Million Forints	% Share
<b>TOTAL</b>	<b>30,466</b>	<b>100</b>	<b>42,179</b>	<b>100</b>		
of which:						
Building	14,794	48.5	19,352	45.7		
Machinery and Equipment	12,723	41.8	17,895	42.7		
of which:						
home produced	7,032	23.1	9,881	23.7		
imported	5,691	18.7	8,014	19.0		
Other	2,949	9.7	4,932	11.6		
Industry	12,732	41.9	17,685	42.5		
Construction	596	1.9	1,077	2.6		
Agriculture	5,423	17.8	7,348	16.8		
Transport	3,646	12.0	5,192	12.6		
Trade	1,091	3.5	1,514	3.6		
Housing, Communal Services, administration, etc.	6,978	22.9	9,363	21.9		

(1) Socialist sector only. This accounts for practically all investments in the "Productive" branches. In the "Non-Productive" branches, especially housing, there is a substantial volume of private investment.

Source: Hungarian official statistics.

c. BREAKDOWN OF INDUSTRIAL INVESTMENT  
(percentages and amounts spent)

	1958-60		Average		1965	
	Million Forints	% Share	Million Forints	% Share	Million Forints	% Share
<b>TOTAL</b>	<b>12,732</b>	<b>100</b>	<b>17,685</b>	<b>100</b>		
Mining	2,718	21.2	3,545	20.0		
Power	2,250	17.7	2,390	13.5		
Metallurgy	1,244	9.8	1,916	11.0		
Engineering	2,392	18.8	2,557	14.5		
Building Materials	776	6.1	697	3.9		
Chemicals	1,348	10.6	3,054	17.2		
Light Industry	1,140	9.0	2,176	12.3		
Food Processing	864	6.8	1,598	9.1		

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TABLE 9

HUNGARY: OVERALL TRADE  
(United States \$ Million)

	<u>Exports</u>	<u>Imports</u> <u>(c.i.f.)</u>	<u>Total</u>	<u>Balance</u>
1955	600.9	554.2	1,155.1	+ 46.7
1960	873.9	975.7	1,849.6	- 101.8
1961	1,028.9	1,025.5	2,045.4	+ 3.4
1962	1,099.2	1,148.6	2,247.8	- 49.4
1963	1,205.7	1,305.5	2,511.2	- 99.8
1964	1,351.8	1,494.5	2,846.3	- 143.7
1965	1,509.5	1,520.3	3,029.8	- 10.8

TABLE 10

HUNGARY: REGIONAL TRADE  
(United States \$ Million)

All imports c.i.f.

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
<u>Total Trade</u>						
Exports	873.9	1,028.8	1,099.2	1,205.7	1,351.8	1,509.5
Imports	975.7	1,025.4	1,148.5	1,305.5	1,494.6	1,520.3
Total	1,849.6	2,054.2	2,247.7	2,511.2	2,846.4	3,029.8
Balance	- 101.8	+ 3.4	- 49.3	- 99.9	- 143.8	- 10.8
<u>Trade with USSR</u>						
Exports	256.4	331.8	391.8	428.0	490.2	525.4
Imports	302.9	356.3	416.7	432.1	497.4	553.3
Total	559.3	688.1	808.5	860.1	987.6	1,078.7
Balance	- 46.5	- 24.5	- 24.9	- 4.1	- 7.2	- 27.9
<u>Trade with Rest of bloc</u>						
Exports	329.5	391.6	385.8	417.9	474.1	532.4
Imports	364.0	329.0	382.9	448.2	483.7	464.9
Total	693.5	720.6	768.7	866.1	967.8	997.3
Balance	- 34.5	+ 62.6	+ 2.9	- 30.3	- 9.6	+ 67.5
<u>Total Trade with bloc</u>						
Exports	585.9	723.4	777.6	845.9	964.3	1,057.8
Imports	666.9	685.3	799.6	880.3	981.1	1,018.2
Total	1,252.8	1,408.7	1,577.2	1,726.2	1,945.4	2,076.0
Balance	- 81.0	+ 38.1	- 22.0	- 34.4	- 16.8	+ 39.6
<u>Trade with non-bloc</u>						
Exports	287.8	305.4	321.6	359.8	387.5	451.7
Imports	308.7	340.1	348.9	425.3	513.5	502.1
Total	596.5	645.5	670.5	785.1	901.0	953.8
Balance	- 20.9	- 34.7	- 27.3	- 65.5	- 126.0	- 50.4

TABLE 11

HUNGARY: TRADE WITH EASTERN EUROPEAN BLOC  
(United States \$ Million)

	Imports c.i.f.					
	1960	1961	1962	1963	1964	1965
<u>Albania</u>						
Exports	2.3	3.5	1.7	2.1	2.1	2.0
Imports	3.8	2.8	1.5	2.5	1.8	2.0
Total	6.1	6.3	3.2	4.6	3.9	4.0
Balance	- 1.5	+ 0.7	+ 0.2	- 0.4	+ 0.3	-
<u>Bulgaria</u>						
Exports	11.8	13.7	15.0	16.8	16.6	20.3
Imports	13.1	13.7	15.2	14.3	23.9	22.1
Total	24.9	27.4	30.2	31.1	40.5	42.4
Balance	- 1.3	-	- 0.2	+ 2.5	- 7.3	- 1.8
<u>Czechoslovakia</u>						
Exports	93.9	137.7	136.9	133.8	149.0	179.3
Imports	111.8	103.4	126.0	150.1	154.6	134.5
Total	205.7	241.1	262.9	283.9	303.6	313.8
Balance	-17.9	+34.3	+10.9	-16.3	- 5.6	+44.8
<u>Eastern Germany</u>						
Exports	100.7	110.2	104.8	106.1	121.9	135.1
Imports	100.8	104.8	117.1	133.1	133.2	131.2
Total	201.5	215.0	221.9	239.2	255.1	266.3
Balance	- 0.1	+ 5.4	- 4.8	-29.0	-11.3	+ 3.9
<u>Poland</u>						
Exports	45.5	59.6	70.7	78.3	84.4	105.0
Imports	49.5	58.0	66.9	79.6	95.2	88.3
Total	95.0	117.6	137.6	157.9	179.6	193.3
Balance	- 4.0	+ 1.6	+ 3.8	- 1.3	-10.8	+16.7
<u>Rumania</u>						
Exports	25.8	29.9	36.4	33.7	42.1	28.7
Imports	41.5	24.3	39.0	36.5	41.5	38.8
Total	67.3	54.2	75.4	70.2	83.6	69.5
Balance	-15.7	+ 5.6	- 2.6	- 2.8	+ 0.6	-10.1
Total Exports	280.0	354.6	365.5	370.8	416.1	470.4
Total Imports	320.5	307.0	365.7	416.1	450.2	416.9
Total Turnover with Eastern Europe	600.5	661.6	731.2	786.9	866.3	887.3
Balance with Eastern Europe	-40.5	+47.6	- 0.2	-45.3	-34.1	+53.5
% of Total Hungarian Trade	32.4	32.2	36.2	31.3	30.4	29.3

TABLE 12

HUNGARY: TRADE WITH FAR EAST COMMUNIST BLOC  
(United States \$ Million)

	Imports c.i.f.					
	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
<u>China</u>						
Exports	40.2	28.8	11.9	n.a.	n.a.	n.a.
Imports	36.3	17.2	11.0	n.a.	n.a.	n.a.
Total	76.5	46.0	22.9	n.a.	n.a.	n.a.
Balance	+ 3.9	+ 11.6	+ 0.9	n.a.	n.a.	n.a.
<u>North Korea</u>						
Exports	4.6	4.3	1.8	2.7	1.8	1.6
Imports	3.3	0.8	3.2	1.6	1.9	3.4
Total	7.9	5.1	5.0	4.3	3.7	5.0
Balance	+ 1.3	+ 3.5	- 1.4	+ 1.1	- 0.1	- 1.8
<u>Mongolia</u>						
Exports	1.6	2.0	1.5	2.1	3.0	2.8
Imports	1.6	1.7	1.9	2.1	1.8	2.7
Total	3.2	3.7	3.4	4.2	4.8	5.5
Balance	-	+ 0.3	- 0.4	-	+ 1.2	+ 0.1
<u>North Vietnam</u>						
Exports	2.9	3.1	2.6	2.4	2.7	5.3
Imports	2.2	2.0	3.0	2.3	4.9	3.7
Total	5.1	5.1	5.6	4.7	7.6	9.0
Balance	+ 0.7	+ 1.1	- 0.4	+ 0.1	- 2.2	+ 1.6
Total Exports	49.3	37.6	17.8	7.2	7.5	9.7
Total Imports	43.4	21.7	19.1	6.0	8.6	9.8
Total Trade with FE Bloc	92.7	59.9	36.9	13.2	16.1	19.5
% of Total Hungarian Trade	5.0	2.9	1.8	0.5	0.6	0.6

TABLE 13

HUNGARIAN TRADE WITH NATO (WESTERN STATISTICS)  
(United States \$ Million)a. HUNGARIAN EXPORTS TO NATO

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
United States of America(1)	2.04	1.68	1.56	1.68	2.04
Canada(1)	0.36	0.36	0.48	0.73	1.44
Belgium - Luxenburg	4.08	4.68	5.76	7.44	7.80
Denmark	2.76	4.20	5.16	6.84	6.72
France	6.96	8.16	10.92	11.76	15.96
Federal Republic of Germany	47.16	48.60	57.96	61.80	71.88
Greece	5.16	5.88	8.16	8.10	9.61
Iceland	-	0.24	0.36	0.24	0.36
Italy	17.52	23.16	49.44	42.84	51.72
Netherlands	6.72	6.60	9.24	12.24	12.60
Norway	1.92	2.16	3.48	5.04	3.72
Portugal	0.12	0.12	0.36	0.12	0.36
Turkey	4.32	4.56	7.44	4.68	9.24
United Kingdom	11.88	13.32	16.20	20.52	19.08
<u>Total NATO</u>	111.00	123.72	176.52	184.03	212.53

b. HUNGARIAN IMPORTS FROM NATO (WESTERN STATISTICS)

United States of America	1.20	0.84	17.28	13.68	9.24
Canada	0.60	0.36	0.36	1.80	7.80
Belgium - Luxenburg	8.88	8.64	9.36	12.24	10.92
Denmark	2.78	2.76	3.60	4.20	6.74
France	21.36	27.96	40.20	24.24	20.76
Federal Republic of Germany	50.76	49.56	63.24	73.80	76.68

(1) f.o.b.

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Greece	6.12	6.48	6.12	8.06	6.68
Iceland	-	0.24	0.36	0.24	-
Italy	22.32	23.40	26.76	32.04	37.20
Netherlands	9.12	10.08	11.88	13.68	10.80
Norway	1.68	2.28	3.60	3.84	5.52
Portugal	0.24	0.48	0.84	0.84	0.96
Turkey	3.84	3.96	2.76	6.84	10.92
United Kingdom	16.44	19.56	21.00	24.72	21.60
<u>Total NATO</u>	144.84	156.60	207.36	220.22	225.80

TOTAL HUNGARIAN TRADE WITH NATO  
(United States \$ Million)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Exports to NATO	111.60	123.72	176.52	184.03	212.53
Imports from NATO	144.84	156.60	207.36	220.22	225.80
Total	255.84	280.32	383.88	404.25	438.33
Balance	-33.24	-32.88	-30.84	-36.19	-13.27
% of Total Hungarian Trade	12.4	12.5	15.3	14.2	14.5

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TABLE 14

HUNGARIAN TRADE WITH OTHER INDUSTRIAL WESTERN COUNTRIES  
(United States \$ Million)a. HUNGARIAN EXPORTS (WESTERN STATISTICS)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Austria	21.02	30.16	32.63	27.05	31.30
Finland	3.80	5.28	5.09	7.75	5.08
Japan	0.66	0.25	0.41	0.64	0.43
Sweden	6.29	6.82	8.97	10.88	12.60
Switzerland	10.17	11.38	15.38	19.71	20.20
<u>Total</u>	41.94	53.89	62.48	66.03	69.61

b. HUNGARIAN IMPORTS

Austria	26.09	28.24	38.10	43.25	42.40
Finland	4.20	2.85	4.83	8.49	7.63
Japan	1.15	1.98	2.55	4.00	2.26
Sweden	5.61	5.18	11.03	10.58	9.47
Switzerland	7.98	8.05	8.13	10.56	11.29
<u>Total</u>	45.03	46.30	64.64	76.88	73.05
<u>Balance</u>	- 3.0	+ 7.5	- 2.1	- 10.85	- 3.44

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TABLE 15

COMMODITY DISTRIBUTION OF HUNGARIAN TRADE

a. COMMODITY DISTRIBUTION, 1960 TO 1965

	<u>Imports</u>		<u>Exports</u>
1958	16.8		35.8
1959	25.5		34.6
1960	27.8		38.0
1961	25.5	Machinery and	37.2
1962	30.0	Equipment	36.2
1963	30.2		34.1
1964	29.2		33.9
1965	28.1		32.7
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1960	58.9	Fuels, raw	23.6
1961	59.1	materials and	22.5
1962	55.7	semi-finished	22.3
1963	54.7	products	22.7
1964	57.0		24.9
1965	57.0		23.9
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1960	5.0	Industrial	17.8
1961	4.8	consumer	20.6
1962	4.7	goods	21.8
1963	5.2		20.1
1964	5.2		20.1
1965	5.3		21.3
<hr/>			
1960	8.3		20.6
1961	10.6	Foodstuffs	19.7
1962	9.6		19.7
1963	9.9		23.1
1964	8.6		21.1
1965	9.6		22.1

b. COMMODITY DISTRIBUTION 1938 AND 1965  
(percentages)

	Imports		Exports	
	1938	1965	1938	1965
Machinery, equipment, instruments	10.6	28.1	9.3	32.7
Industrial consumer goods	8.8	5.3	10.2	21.3
Raw materials and semi-finished goods	73.1	57.0	23.5	23.9
of which:				
Fuels, minerals, metals	22.3	27.5	8.2	14.5
Chemicals, basic materials for and products of the rubber industry, fertilisers	11.5	10.0	1.8	3.5
Industrial raw materials of vegetable and animal origin	38.5	18.4	12.9	5.1
Foodstuffs and raw materials for the food industry	7.5	9.6	57.0	22.1
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>