

~~SECRET~~

Nº 51

ECONOMIC INTELLIGENCE REPORT

THE ROLE OF REEXPORTS
IN HUNGARIAN FOREIGN TRADE



CIA/RR 59-22

June 1959

CENTRAL INTELLIGENCE AGENCY

OFFICE OF RESEARCH AND REPORTS

~~SECRET~~

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

S-E-C-R-E-T

ECONOMIC INTELLIGENCE REPORT

THE ROLE OF REEXPORTS IN HUNGARIAN FOREIGN TRADE

CIA/RR 59-22

CENTRAL INTELLIGENCE AGENCY
Office of Research and Reports

S-E-C-R-E-T



50X1

S-E-C-R-E-T

FOREWORD

The document which is the principal source of this report, although covering only the first 9 months of 1956 and of 1957, presents a unique opportunity for insight into a facet of Hungarian foreign trade previously unexplored because of lack of data. On the basis of this evidence, it is possible to conclude that Hungary makes such widespread use of re-exporting in order to balance its international accounts that the commodity composition and geographic distribution of its trade are significantly changed. The foreign trade techniques discussed in this report undoubtedly are also practiced by other countries of the Sino-Soviet Bloc; thus this report serves as a case study of the nature of attempts by the Bloc to counteract the restraints of bilateralism.

- iii -

S-E-C-R-E-T

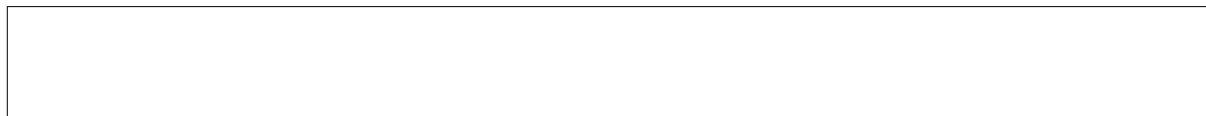
S-E-C-R-E-T

CONTENTS

	<u>Page</u>
Summary and Conclusions	1
I. General Importance to Hungary of Reexport Trade	2
II. Reexports in 1956 and 1957	3
1. Role of Reexports in Trade with the Bloc	6
2. Role of Reexports in Trade with the Free World	7
a. Bloc Goods Reexported to the Free World	7
b. Goods of Western Origin	8
III. Reexport Policies and Techniques	9

Appendixes

Appendix A. Statistical Tables	13
--	----



50X1

Tables

1. Hungarian Reexport Account Balances, 1951-57	5
2. Export and Reexport Trade of Hungary, 1951-57	14
3. Percentage Distribution of Hungarian Reexports, by Origin and Destination, January-September 1956 and 1957	15
4. Geographic Distribution of the Reexport Trade of Hungary, January-September 1956 and 1957	16

S-E-C-R-E-T

	<u>Page</u>
5. Distribution of Hungarian Reexports, by Type of Exchange or Clearing Received, January-September 1956 and 1957	17
6. Distribution of Hungarian Reexports to the Free World, by Type of Exchange or Clearing Received, January-September 1956 and 1957	18
7. Hungarian Balance of Trade with Other Countries of the Sino-Soviet Bloc, January-September 1956 and 1957 . .	19
8. Hungarian Imports Intended for Reexport, January-September 1956 and 1957	20

S-E-C-R-E-T

THE ROLE OF REEXPORTS IN HUNGARIAN FOREIGN TRADE*Summary and Conclusions

Since 1951, Hungary has found it necessary to supplement its customary trading under bilateral agreements by engaging in a significant volume of transactions in reexport trade. This reexport activity is primarily a device to acquire foreign exchange which can be used in markets where essential purchases are to be made or to meet financial obligations where a trading deficit has accumulated. Inconvertible foreign exchange available to Hungary in one market is used to purchase goods having an immediate resale value in another market where funds are needed. In addition, commodities are purchased to fulfill export commitments when domestic production is lacking or insufficient to meet requirements. The shrewd, opportunistic trading practices of Hungarian commercial representatives often give to reexporting the appearance of a typically capitalistic profit-making operation. In general, the overall effects of reexporting are that some of the advantages of a multilateral trading system are thereby achieved and the commodity composition of total trade is broadened.

Reexports accounted for 10 percent of total Hungarian exports in 1956 and for 6.4 percent in the first 9 months of 1957. The decline in the latter period probably reflects the temporary disruption of trade negotiations following the Hungarian revolt (October 1956) as well as the exceptional internal requirements of the country at that time. More than three-fourths of Hungarian reexports were directed toward the Free World in 1957. Furthermore, 45 percent of the goods reexported by Hungary were of Western origin. These percentages indicate a substantial amount of trading and financial activity between the Free World and the Sino-Soviet Bloc. Reexport traffic generally has been advantageous in that it has facilitated the acquisition of required imports, although an analysis of reexport activity in 1957 shows that large financial losses sometimes were incurred in reselling goods for hard currencies. Statements of foreign trade officials indicate that some transactions involving losses, although not to be encouraged, nevertheless are considered worthwhile for political and economic reasons.

The recently established multilateral clearing system for countries of the Soviet Bloc, although limited in its scope of operations, is expected to facilitate transactions for trading partners in the Bloc

* The estimates and conclusions in this report represent the best judgment of this Office as of 1 May 1959.

S-E-C-R-E-T

S-E-C-R-E-T

because credits with one country presumably can be used for making purchases in another (but only after formal agreement by all parties concerned). In the absence of free transferability of balances between the Free World and the Bloc, however, commercial arbitrage through reexporting is a means of providing limited multilateralism in trade. In view of the dim prospects for early establishment of a successful East-West multilateral clearing system, Hungary probably will continue to use reexport activity as an aid in balancing its international accounts.

I. General Importance to Hungary of Reexport Trade.

Foreign trade plays a large part in the Hungarian economy, the domestic value of its exported goods having ranged from 12 to 14 percent of national income since 1955. About 65 to 70 percent of the foreign trade of Hungary is normally carried on with other countries of the Sino-Soviet Bloc, but trade with the Free World is also of importance both in providing an export market for Hungarian goods and as a source of raw materials. Since 1953, when trade with the Free World had reached its lowest ebb because of the Stalinist policy of self-sufficiency and the trade interruptions of the Korean War, increasing emphasis has been placed on broadening the scope of Hungarian trading activities throughout the world. Hungary now trades with 93 nations and has interbank or interstate agreements with 41 of them. 1/* Permanent trade delegations have been set up in such widely scattered cities as Rio de Janeiro, Damascus, and Bombay. 2/ As a result, opportunities to arrange reexport transactions have been greatly increased, [redacted]

50X1
50X1

Fundamental to Hungarian foreign trade is the concept of a purposeful control of trade to achieve bilateral balancing, although, in spite of intentions for a planned, balanced trade, imbalances are constantly arising. To achieve bilateral balancing, a system of rigid quotas is ordinarily used in conjunction with trade agreements, some flexibility being added by the setting up of clearing accounts. In renewing payments agreements, consideration is given to the current status of the clearing balance. If the clearing balance is excessive in one direction, trade for the following year is so planned as to restore the balance. With countries such as those in Western Europe, where most trading with Hungary is in private hands, it is often difficult to achieve a bilateral

50X1

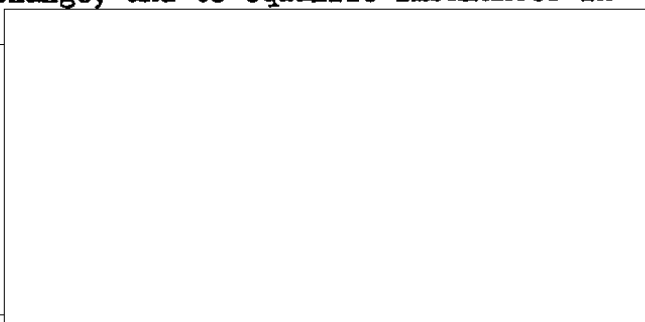
- 2 -

S-E-C-R-E-T

S-E-C-R-E-T

balance. For example, there is no guarantee that Western importers will use the import licenses issued to them or that Western exporters will export the goods for which licenses are available for shipment to a country of the Soviet Bloc.

Hungarian reexport activity before 1951 was not substantial and was not recorded separately, but since 1951 Hungary has engaged in reexporting to an increasing extent in order to improve its conduct of foreign trade. Reexports have become an important part of the export trade of Hungary and, according to Hungarian officials, have been used for the following reasons: to meet the requirements of trading partners for goods in excess of Hungarian production or not produced in Hungary, to earn badly needed convertible exchange, and to equalize imbalances in the bilateral clearing accounts.

50X1
50X1

Reexports by Hungary represent a larger proportion of its total exports than is the case in most other countries for which data on reexports are available. Reexports accounted for 12 percent of total Hungarian exports in 1955, 10 percent in 1956, and 6.4 percent in the first 9 months of 1957. A comparison of reexports and total exports is shown in Table 2.* The reexports of the USSR were 9.4 percent of exports in 1956 and 7.4 percent in 1957. 6/ In East Germany, the only other country of the Sino-Soviet Bloc for which data are available,** reexports were about 1 percent of exports in 1956. By way of comparison, in 1957 in Ceylon reexports constituted 5.5 percent of total exports; in the UK, 3.8 percent; and in Canada, 1.9 percent. Japanese reexports were only 0.3 percent of total exports in 1956.

II. Reexports in 1956 and 1957.

Recent information sheds light on the importance of reexports in Hungarian trade in 1956 and 1957 as well as on the extent to which Hungary depends on reexport trade to supplement its foreign exchange earnings and facilitate balancing its international accounts. 8/

* Appendix A, p. 14, below.

** In May 1958 a Bulgarian publication stated that the first Bulgarian experience with reexport trade was in 1952 and 1953, that the country was still "backward" in this type of trade, and that further development of reexport trade was contemplated. 7/

S-E-C-R-E-T

S-E-C-R-E-T

This reexport activity shows that a certain element of multilateralism has existed in practice in spite of the pattern of bilateral agreements which are the foundation of intra-Bloc trade. The following tabulation summarizes Hungarian reexports in the first 9 months of 1956 and of 1957, in million FE forints*:

Reexports	First 9 Months of 1956	Percent of Total	First 9 Months of 1957	Percent of Total
Total	<u>495.3</u>	<u>100</u>	<u>241.5</u>	<u>100</u>
To the Sino-Soviet Bloc	104.2	21	57.3	24
To the Free World	391.1	79	184.2	76

In terms of reexport activity, 1957 was not a good year, because some disruption of reexport negotiations followed as a result of the revolt of October 1956. Reexports in the first 9 months of 1957 were about 50 percent less than in the first 9 months of 1956, which was a more typical period.

As the tabulation indicates, the largest proportion of reexports goes to Western countries rather than to other countries of the Sino-Soviet Bloc. Further analysis of the origin and destination of Hungarian reexports shows that 33 percent of the total value of Hungarian reexports in 1957 consisted of Western goods shipped to other Western markets and that 43 percent consisted of Bloc goods shipped to the Free World. Eleven percent of total reexports originated in other countries of the Bloc and were reexported to Bloc markets, and 12 percent originated in the Free World and were reexported to the Bloc. A more complete survey of the origin and destination of Hungarian reexports in the first 9 months of 1956 and of 1957 is shown in Table 3.** Data on individual countries and a comparison of reexports to total exports are shown in Table 4.***

In assessing the comparative results of the 2 years, the Hungarian Ministry of Foreign Trade has stated that, because of the decreased volume of reexports in 1957, it was not possible "in every case" to ease foreign-exchange tensions, and the equalizing of commodity balances and payment balances was not as effective as in 1956. Total exchange and clearing credits produced from Hungarian reexports in the first 9 months of 1957 amounted to 241.5 million FE forints, of which

* The term FE forints throughout this report refers to foreign exchange forints. The official rate of exchange, 11.74 Hungarian FE forints to US \$1, may not reflect the true dollar value.

** Appendix A, p. 15, below.

*** Appendix A, p. 16, below.

S-E-C-R-E-T

201.5 million FE forints were realized in Western exchange and clearing. This sum was a substantial reduction from the 392.6 million FE forints in Western exchange and clearing gained out of a total value of 495.3 million FE forints received from reexports in the first 9 months of 1956.

The distribution of all Hungarian reexports, by type of exchange or clearing received, in the first 9 months of 1956 and of 1957 is shown in Table 5,* and the same distribution of reexports to the Free World is shown in Table 6.**

Hungary has made available a separate accounting of imports which were to be reexported, and this information makes it possible to compare reexports with imports for reexports. The reexport account balances in million FE forints during 1951-56 and the first 9 months of 1957 are shown in Table 1.

Table 1
Hungarian Reexport Account Balances a/
1951-57

				Million FE Forints
<u>Year</u>	<u>Imports for Reexport <u>b/</u></u>	<u>Reexports <u>b/</u></u>	<u>Balance of Reexport Trade</u>	
1951	311.6	355.5	+43.9	
1952	407.1	435.2	+28.1	
1953	416.1	472.0	+55.9	
1954	644.3	733.6	+89.3	
1955	853.3	845.3	-8.0	
1956	582.3	579.9	-2.4	
1957 <u>c/</u>	229.1	241.5	+12.4	

a. The balances of reexport trade reflect the net effect of several factors. (1) The unusual system used by Hungary for valuing trade in 1952-56. In that period, imports were valued on an f.o.b. foreign country basis (shipping costs not included) and exports on a c.i.f. purchasing country basis (shipping costs included). In 1957, Hungary returned to the system in effect in 1951, which was to value imports c.i.f. Hungarian frontier and exports f.o.b. Hungarian frontier. (2) Some reexport goods may have been sold at higher, or lower, prices than their import cost. (3) The total value of reexports includes sales of goods imported during the previous year. (4) In the case of negative balances, goods imported may have remained in the warehouse unsold rather than having been reexported in the current year.

b. g/

c. First 9 months only.

* Appendix A, p. 17, below.

** Appendix A, p. 18, below.

S-E-C-R-E-T

1. Role of Reexports in Trade with the Bloc.

Reexports have served to satisfy commitments by Hungary to other countries of the Sino-Soviet Bloc which could not be met through domestic production and have provided opportunities for liquidating both surpluses and debts in various Bloc markets. Reexport activity, however, did not play an equalizing role in achieving a balance with the Bloc as a whole in the first 9 months of either 1956 or 1957. As shown in Table 7,* the net export surplus of total trade with the Bloc was reduced in 1956 because of an excess of imports from Communist China on reexport account, and in 1957 reexport activity served to aggravate the already large deficit of total trade with Bloc trading partners, again primarily because of the China account.

The large deficit in both 1956 and 1957 in the Hungarian re-export account with Communist China** points up the particular role of China as a source of imports for reexport. Jenő Incze, Hungarian Minister of Foreign Trade, stated in March 1958 at a news conference in Peking that 50 to 70 percent of the goods acquired by Hungary from China (primarily agricultural products) were reexported to other countries. 10/ However, there was a large decline in gross Hungarian imports from China for reexport between 1956 and 1957 -- from 188.5 million FE forints in the first 9 months of 1956 to 91.0 million FE forints in the corresponding period of 1957. 11/ Chinese internal requirements, combined with the relatively poor crop year in China (which reduced the availability of goods normally acquired by Hungary for reexport purposes), probably were largely responsible for the decline, although the disruptions of the Hungarian revolt may have had a bearing on this reexport activity in 1957.

Although reexport activity did not serve to balance Hungarian trade with the Sino-Soviet Bloc in 1957, it nevertheless did yield more Western exchange than in 1956. Of reexports to the Bloc totaling 104.2 million FE forints in the first 9 months of 1956, Hungary obtained only 1.5 million FE forints in Western exchange. In the first 9 months

* Appendix A, p. 19, below.

** The reexport balance represents the difference between reexports to China and imports from China for reexport.

S-E-C-R-E-T

of 1957, however, in spite of a greatly reduced volume of reexports (57.3 million FE forints), Hungary succeeded in obtaining from the other countries of the Bloc 17.3 million FE forints of Western exchange, possibly reflecting hard bargaining on the part of Hungary because of its critical foreign exchange requirements following the revolt.*

2. Role of Reexports in Trade with the Free World.

In the years under consideration, reexports have served to help to improve the over-all payments balance of Hungary with Western countries. In the first 9 months of 1956 the convertible active balance produced by direct commodity turnover with Western countries (230.8 million FE forints) was increased through reexports by nearly 200 million FE forints. In the first 9 months of 1957 a deficit of 281 million FE forints in direct commodity turnover with the Free World was reduced by one-third (99 million FE forints) through reexport earnings. In the case of Egypt alone an active balance resulting from direct commodity turnover was increased through reexports by nearly 20 million FE forints. 12/

a. Bloc Goods Reexported to the Free World.

The Hungarian Ministry of Foreign Trade has stated that there is no method of satisfactorily surveying and analyzing the balancing role of Bloc goods reexported by Hungary to the Free World in 1957 because of the lack of data concerning the largest segment of these goods -- those of Chinese Communist origin.** A portion of the transactions involving Bloc goods reexported to the Free World in 1957 was analyzed, however, to determine the cost of obtaining the Western exchange acquired. Convertible Western exchange resulting from the transactions amounted to 28 million FE forints. The costs included 26.1 million FE forints for the goods sold, plus freight costs of

* See Tables 3 and 5, Appendix A, pp. 15 and 17, respectively, below. In 1956, reexports to the Bloc of 104.2 million FE forints minus Bloc clearing received of 102.7 million FE forints equaled 1.5 million FE forints received in Western exchange. In 1957, reexports to the Bloc of 57.3 million FE forints minus 40.0 million FE forints Bloc clearing received equaled 17.3 million FE forints received in Western exchange.

** In the past, goods originating in Communist China which Hungary reexported have been of great importance in producing convertible Western exchange because the goods were purchased through the use of Bloc clearing and sold mostly for free foreign exchange.

S-E-C-R-E-T

11.5 million FE forints and other expenses of 0.7 million FE forints, or a total cost of 38.3 million FE forints. Thus 28 million FE forints of Western exchange were acquired at a cost of 38.3 million FE forints -- a loss of 10.3 million FE forints on these transactions. Although this is not a sufficiently large segment of trade from which to draw conclusions as to the profitability of all reexports of Bloc commodities,* it does show the large loss which sometimes results in acquiring Western exchange and the necessity for Hungary to accept the loss in order to fulfill its obligations. Most significantly, it represents an indication of the cost of bilateralism. 14/

Of Hungarian reexport dealings in the first 9 months of 1957 in which Bloc goods were reexported to the Free World, 93 percent were settled in German marks, British pounds, Swiss francs, and French francs. Only 7 percent were settled in Austrian, Brazilian, Italian, and Turkish clearing, but these transactions were profitable, however, especially the reexports to Brazil. A significant active balance of 1.1 million FE forints in the clearing account, which was achieved through reexports of Bloc goods to Brazil, helped to offset the deficit of about 3.5 million FE forints in direct trade turnover with Brazil.

b. Goods of Western Origin.

The strained foreign exchange position of Hungary with the Free World in 1957 is clearly reflected in the significant shift which took place in its imports for reexport. The Hungarian imports intended for reexport in the first 9 months of 1956 and of 1957 are shown in Table 8.** Imports from the Free World for reexport decreased about two-thirds in the first 9 months of 1957. Furthermore, whereas 86 percent of the goods which Hungary reexported to the Sino-Soviet Bloc came from Western countries in 1956, only 52 percent originated in Western countries in 1957. There occurred declines in imports for reexport from traditional Near Eastern and South American sources as well as in imports originating in hard-currency countries such as Sweden and West Germany. The policy in 1957 was to curtail the spending of convertible and hard-currency holdings. In contrast to nearly 160 million FE forints of hard exchange used in the first 9 months of 1956, the outlay in first 9 months of 1957 was 40 million FE forints -- only 25 percent of that of 1956. 15/

* [redacted] reexport of goods originating in other countries of the Soviet Bloc (presumably excluding Communist China) generally meant a loss of 30 to 40 percent to Hungary. 50X1

[redacted] losses could be made up only if Hungary in turn imported from the Free World high-quality commodities not available in the Bloc. 13/ 50X1

** Appendix A, p. 20, below.

S-E-C-R-E-T

III. Reexport Policies and Techniques.

Each year, Hungarian trade agreements include commitments to supply industrial raw materials and agricultural commodities which cannot be covered from domestic sources but which Hungary expects to fill by purchases both from other countries of the Sino-Soviet Bloc and from the Free World. The Hungarian economy is poor in industrial raw materials, and, therefore, the proportion of these materials in direct export is low. Of reexports to other countries of the Bloc during the first 9 months of 1957, 53.7 percent consisted of raw materials (excluding agricultural products), compared with only 16.8 percent in direct trade. Of reexports to the Free World, 22.1 percent consisted of raw materials, compared with 10.9 percent in direct trade. Thus reexports raised the proportion of raw materials in total exports. Agricultural products comprised 73.8 percent of Hungarian reexports to Western countries and raised the share in total exports of such products from 44.5 percent in direct trade to 48.8 percent for total export turnover. The importance of raw materials in total reexports probably reflects the relative ease with which reexport transactions using raw materials can be effected because of product standardization and the existence of organized markets.

Comparative advantages of trading opportunities are carefully considered. The Ministry of Foreign Trade reported in October 1957 that inasmuch as the prices of raw materials in other countries of the Sino-Soviet Bloc were at that time lower than world market prices, it was worthwhile to import raw materials from other countries of the Bloc in exchange for Hungarian reexports of commodities of Western origin. Thus it was then advantageous to spend hard currency for goods in the Free World and to reexport these goods to the Bloc in exchange for raw materials rather than to pay higher prices for the materials in the West. 16/

Analysis of particular reexport transactions brings out other motives in Hungarian commercial dealings. Reexports of Western goods to Yugoslavia in the first 9 months of 1957 resulted in a substantial profit, whereas reexports of certain Italian and West German goods (artificial fiber and cheese) delivered to Czechoslovakia represented a loss. The loss was justified by the Ministry of Foreign Trade as a commercial and political gesture made in the interest of maintaining active trade contacts with the Free World.*

* That some transactions are arranged to balance the accounts of a specific foreign trade enterprise is illustrated by attempts to make up losses on the delivery of Italian synthetic fiber by means of deliveries of Czechoslovak artificial fiber.

S-E-C-R-E-T

S-E-C-R-E-T

Increased emphasis is being placed on sales tied in with purchases. The principal purpose of such tie-in transactions is to promote sales of Hungarian goods where there is little likelihood of exports under the usual trading arrangements. Thus foreign exchange earnings may be increased in areas where imports needed by Hungary are to be obtained. These tie-in deals also create possibilities for exports in excess of the commodity quotas set by countries importing from Hungary. 17/

50X1
50X1

Reexport trade also provides a means for the extension of Hungarian economic contacts with underdeveloped countries of the Free World. In certain situations where Hungary cannot use the products available in the underdeveloped countries it is possible to purchase and reexport them, thus building up trade connections and providing a market for Hungarian goods. As of mid-June 1958, Hungary reportedly had arranged through trade agreements with Colombia, Guatemala, Mexico, Morocco, Tunisia, and Venezuela to buy raw materials in excess of Hungarian domestic needs so that these goods could be resold on the West German market. Some of the items reportedly were being offered at prices well below the established world market price. 19/

Hungary has often bought commodities from Western countries and resold them in the West without permission of the original exporter. Also, foreign goods, such as Argentine meat, Japanese yarn, and British or Belgian coal, reportedly have been declared to be of Hungarian origin in order to facilitate reexport transactions. 20/

Hungarian trade officials are constantly on the alert for advantageous reexport deals. In May 1957 the Hungarian trade mission in Frankfurt discovered that West Germany currently had a reserve of about 1 million metric tons of cereal grain in its warehouses. Because the new harvest was coming in, Hungarian officials estimated that they could acquire 200,000 to 400,000 metric tons of the West German cereal grain which they then could offer to Egypt in return for cotton or other reexportable goods. They also were considering offering some of the grain to Pakistan, whose import needs they believed might not be met, because Pakistan's customary source, the US, was sending large quantities to India. 21/

- 10 -

S-E-C-R-E-T

S-E-C-R-E-T

The Ministry of Foreign Trade in 1957 was searching for new ways to satisfy its needs for convertible exchange to take the place of the diminished possibilities for producing convertible foreign exchange through its reexports of commodities of Chinese Communist origin. Increased reexport activity in soft-currency countries proved worthwhile because of the profits to be made through foreign-exchange conversions and black-market currency operations, even though the goods turnover did not always appear to be profitable.

[Redacted]

[Redacted]

[Redacted]

50X1
50X1
50X1

Hungarian reexport activity may be expected to continue as long as the present bilateral conduct of trade continues and as long as distortions in pricing and production persist in the markets of the Sino-Soviet Bloc. An improvement in quality and delivery schedules for exports would place Hungary in a more competitive position in Western markets and thus reduce somewhat the need for reexporting. It is also possible that some reduction in reexport activity will be brought about by the recently established intra-Bloc multilateral payments system, which permits limited multilateral settlements within the Bloc by mutual consent of the interested parties. But as long as the conduct of foreign trade is primarily bilateral, it will be to the advantage of Hungary to engage in reexport activity to alleviate the strictures implicit in bilateralism.

S-E-C-R-E-T

S-E-C-R-E-T

APPENDIX A

STATISTICAL TABLES

- 13 -

S-E-C-R-E-T

Table 2
Export and Reexport Trade of Hungary a/
1951-57

Million FE Forints

<u>Year</u>	<u>Total Exports (Including Reexports)</u>	<u>Reexports</u>	<u>Reexports as Percent of Total Exports</u>
1951	4,645.8	355.5	7.7
1952	5,197.8	435.2	8.4
1953	5,904.2	472.0	8.0
1954	6,163.6	733.6	11.9
1955	7,147.9	845.3	11.8
1956	5,809.0	579.9	10.0
1957 <u>b/</u>	3,797.2	241.5	6.4

b. First 9 months only.

50X1

S-E-C-R-E-T

Table 3

Percentage Distribution of Hungarian Reexports, by Origin and Destination a/
January-September 1956 and 1957

<u>Origin and Destination of Goods</u>	<u>Reexports</u> <u>(Million FE Forints)</u>		<u>Percent of</u> <u>Total Reexports</u>	
	<u>1956</u>	<u>1957</u>	<u>1956</u>	<u>1957</u>
Total	<u>495.3</u>	<u>241.5</u>	<u>100.0</u>	<u>100.0</u>
To the Sino-Soviet Bloc	<u>104.2</u>	<u>57.3</u>	<u>21.1</u>	<u>23.7</u>
From the Bloc	14.6	27.3	3.0	11.3
From the Free World	89.6	30.0	18.1	12.4
To the Free World	<u>391.1</u>	<u>184.2</u>	<u>78.9</u>	<u>76.3</u>
From the Bloc	194.9	104.9	39.3	43.4
From the Free World	196.2	79.3	39.6	32.9

a. 25/

S-E-C-R-E-T

S-E-C-R-E-T

Table 4

Geographic Distribution of the Reexport Trade of Hungary a/
January-September 1956 and 1957

Million FE Forints

Destination	January-September 1956			January-September 1957		
	Total Exports (Including Reexports)	Reexports	Reexports as Percent of Total Exports	Total Exports (Including Reexports)	Reexports	Reexports as Percent of Total Exports
Total	<u>5,168.4</u>	<u>495.3</u>	9.6	<u>3,797.2</u>	<u>241.5</u>	6.4
To the Bloc	<u>3,216.0</u>	<u>104.2</u>	3.2	<u>2,502.7</u>	<u>57.3</u>	2.3
of which						
East Germany	380.1	28.7	7.6	379.2	9.6	2.5
Poland	250.8	52.0 b/	20.7	155.6	4.2 b/	2.7
Rumania	122.5	7.8 b/	6.4	105.6	0.9 b/	0.9
To the Free World	<u>1,952.4</u>	<u>391.1</u>	20.0	<u>1,294.5</u>	<u>184.2</u>	14.2
of which						
Brazil	68.1	16.8	24.7	33.2	12.2	36.7
Egypt	68.4	7.4	10.8	81.9	19.8	24.2
Finland	66.0	18.0	27.3	47.0	1.7	3.6
Switzerland and Liechtenstein	227.2	110.6	48.7	98.3	33.9	34.5
Turkey	52.6	0.5	1.0	90.4	18.6	20.6
West Germany	381.6	66.4	17.4	222.8	20.6	9.2

a. ^{26/}

b. May be understated because some goods sold for Western exchange may not have been included.

- 16 -

S-E-C-R-E-T

S-E-C-R-E-T

Table 5

Distribution of Hungarian Reexports
by Type of Exchange or Clearing Received ^{a/}
January-September 1956 and 1957

Method of Payment	January-September 1956		January-September 1957	
	Amount (Million FE Forints)	Percent of Total	Amount (Million FE Forints)	Percent of Total
Total	495.3	100.0	241.5	100.0
Bloc clearing	102.7	20.7	40.0	16.6
Free World exchange and clearing	392.6	79.3	201.5	83.4

a. 27/

S-E-C-R-E-T

Table 6

Distribution of Hungarian Reexports to the Free World
by Type of Exchange or Clearing Received a/
January-September 1956 and 1957

Type of Exchange or Clearing	January-September 1956		January-September 1957	
	Amount (Million FE Forints)	Percent of Total	Amount (Million FE Forints)	Percent of Total
Total	<u>392.6</u>	<u>100.0</u>	<u>201.5</u>	<u>100.0</u>
Convertible exchange	<u>329.8</u>	<u>84.0</u>	<u>146.3</u>	<u>72.6</u>
of which				
Dollars	62.4	15.9	11.5	5.7
Pounds	186.0	47.4	103.5	51.4
"Clearing II" b/	<u>3.5</u>	<u>0.9</u>	<u>1.4</u>	<u>0.7</u>
"Clearing III" c/	<u>35.8</u>	<u>9.1</u>	<u>38.1</u>	<u>18.9</u>
of which				
Brazil	16.8	4.3	11.6	5.8
Egypt	7.4	1.9	19.8	9.8
"Clearing IV" c/	<u>19.9</u>	<u>5.1</u>	<u>13.4</u>	<u>6.7</u>
of which				
Finland	18.0	4.6	1.9	0.9
Turkey	1.6	0.4	11.5	5.7
Other	<u>3.6</u>	<u>0.9</u>	<u>2.3</u>	<u>1.1</u>

- a. 28/
b. Hard currencies.
c. Definition unknown.

S-E-C-R-E-T

Table 7

Hungarian Balance of Trade with Other Countries
of the Sino-Soviet Bloc a/
January-September 1956 and 1957

Million FE Forints

Country	January-September 1956			January-September 1957		
	Direct Trade Balance <u>b/</u>	Reexport Balance <u>c/</u>	Net Balance	Direct Trade Balance <u>b/</u>	Reexport Balance <u>c/</u>	Net Balance
Total Bloc trade	+626.4	-111.3	+515.1	-1,724.9	-64.5	-1,789.4
USSR	+314.0	+5.5	+319.5	-1,422.2	-3.1	-1,425.3
East Germany	-39.8	+21.9	-17.9	-256.7	+7.7	-249.0
Rumania	-6.5	+6.6	+0.1	-82.1	-1.0	-83.1
China	+43.1	-186.5	-143.4	-19.7	-84.3	-104.0
Others	+315.6	+41.2	+356.8	+55.8	+16.2	+72.0

a. 29/

b. The direct trade balance equals exports of domestically produced goods minus imports for consumption.

c. The reexport balance represents the difference between reexports and imports for reexport.

S-E-C-R-E-T

S-E-C-R-E-T

Table 8

Hungarian Imports Intended for Reexport a/
January-September 1956 and 1957

Source	January-September 1956		January-September 1957	
	Amount (Million FE Forints)	Percent of Total	Amount (Million FE Forints)	Percent of Total
Total Imports for Reexport	<u>512.7</u>	<u>100.0</u>	<u>229.1</u>	<u>100.0</u>
From the Sino-Soviet Bloc	<u>222.7</u>	<u>43.4</u>	<u>121.8</u>	<u>53.2</u>
Communist China	<u>188.5</u>	<u>36.8</u>	<u>91.0</u>	<u>39.7</u>
Other Bloc	<u>34.2</u>	<u>6.6</u>	<u>30.8</u>	<u>13.5</u>
From the Free World	<u>290.0</u>	<u>56.6</u>	<u>107.3</u>	<u>46.8</u>
Europe	<u>170.4</u>	<u>33.2</u>	<u>73.2</u>	<u>31.9</u>
of which				
Sweden	20.9	4.1	5.3	2.3
Turkey	45.9	9.0	30.7	13.4
West Germany	18.3	3.6	8.5	3.7
Far East	<u>16.4</u>	<u>3.2</u>	<u>15.1</u>	<u>6.6</u>
of which				
Burma	13.4	2.6	15.1	6.6
Near East	<u>19.5</u>	<u>3.8</u>	<u>N.A.</u>	<u>N.A.</u>
of which				
Egypt	14.4	2.8	<u>N.A.</u>	<u>N.A.</u>
North America	<u>38.0</u>	<u>7.4</u>	<u>10.5</u>	<u>4.6</u>
of which				
Canada	24.8	4.8	<u>N.A.</u>	<u>N.A.</u>
South America	<u>45.7</u>	<u>8.9</u>	<u>8.4</u>	<u>3.7</u>
of which				
Brazil	37.1	7.2	6.5	2.8

a. 30/

Page Denied

Next 2 Page(s) In Document Denied

SECRET

SECRET