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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Trading and Cooperation with Hungary

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March 1973

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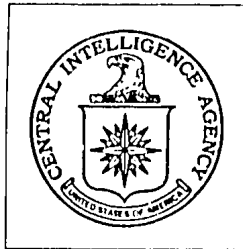
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Trading and Cooperation with Hungary

Once the issue of most-favored-nation (MFN) status is resolved, the United States should be able to increase substantially the size and scope of its trade with Hungary. Unlike other East European countries, Hungary offers considerable freedom for foreign firms to gain access to and deal with industrial enterprises. The Hungarian market is especially attractive for US firms that are interested not only in direct hard currency sales but also in compensation deals and cooperative ventures.

Hungary's record trade deficits in 1970 and 1971 led to the introduction of a stabilization program in 1972. The government remains cautious in 1973 but a substantial expansion of Hungarian trade with the West is expected through 1975 and beyond. Hungary's hard currency debt position is relatively favorable, and Hungarian bankers are unusually resourceful in debt management.

US trade with Hungary is small (only US \$35 million in 1972), and its composition is narrow. Agricultural and food products are the main commodities traded in both directions. Because of the lack of MFN status, Hungary has not made a major effort to sell in the US market and has, with its high tariff schedules, discouraged imports of US manufactures.

Most of Hungary's trade with the rest of the industrial West is conducted under trade and cooperation agreements, which normally provide for the mutual extension of import quotas. These quotas provide the framework for Hungarian trade with the West and give Western partners effective market protection and a negotiating basis for expanding sales. The Hungarians have persistently sought to eliminate Western quotas, which now cover about 20%-30% of their exports to the West. Several major trading partners, including West Germany, the United Kingdom, and Austria, have agreed unilaterally to attempt to remove most quotas in 1973-74.

Although Hungary is interested in acquiring the new technology and skills needed to penetrate Western markets, it has made sparing use of large orders for machinery and equipment. Hungary hopes to rely increasingly on cooperative ventures to serve these purposes, but the aggregate value of the cooperative ventures formed thus far has been small and has generated little in the way of exports. Hungarian law now permits Western equity investment in domestic enterprises, but it is unlikely that significant amounts of foreign investment will be allowed.

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DISCUSSION

The Economy in the 1970s

1. Since late 1971, when runaway investment and a record trade deficit exposed weaknesses in the New Economic Mechanism (NEM) and aroused Soviet concern, the Hungarian economy has been under a stabilization program.¹ This included a mild recentralization program announced in November 1972, marked by the creation of a State Planning Commission. Cutbacks in imports and in the rate of increase of investment and industrial output helped turn the 1971 trade deficit of \$490 million into a surplus of more than \$125 million in 1972. Import controls had their greatest impact on purchases of consumer goods from the West and machinery and equipment from Communist countries. Purchases of machinery and equipment from the West in 1972 still increased at a moderate rate because of backlogs of orders from earlier years. Successful efforts to stimulate exports played a major role in reversing the trade picture; sales to both the East and the West boomed by 21%, as solid gains were achieved in all major commodity categories.

2. Plans for 1973 call for continued caution, in part because the earnings from exports, especially of agricultural products, are subject to sharp fluctuations. Investment, which remains under firm budget and credit controls, will be permitted to rise at an annual rate of 10% after being held to a 2% annual increase in 1972. Other planned increases are much the same as in 1972 -- 4%-5% in national income, 5%-6% in industrial output, and 7%-8% in trade with both socialist and non-socialist countries.

3. Although some of the overall targets of the 1971-75 plan probably became outdated after the disruptions in 1971, the economy seems back on the track toward the planned 5%-a-year growth in national income. Total foreign trade was planned to grow by 7%-8% a year, and trade with the West was slated for a 6% annual increase. The plan for trade with the West probably is unrealistic because of the dependence of the economy on imports from the West. Some pause in the rate of machinery purchases from the West may be justified while the economy digests large imports in recent years, but Hungary is likely to become increasingly dependent on hard currency imports to support industrial output and, ultimately, domestic consumption.

25X1

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4. Imports from the West can be stepped up without risking major payments difficulties. Hungary's outstanding hard currency debt was estimated at some \$500 million at the end of 1971, and debt service payments represented about one-fifth of hard currency exports, a relatively light burden by East European standards.

US-Hungarian Trade

5. US-Hungarian trade has more than tripled since 1965 but amounted to only between \$35 million and \$36 million in 1971 and 1972 (see Table 1). Hungary has incurred a sizable deficit in this trade - \$80 million during 1965-72 - which has been financed by hard currency earnings from other sources and probably by private US credits. Most of

Table 1

US-Hungarian Trade

	<i>Million US \$</i>		
	<i>Exports</i>	<i>Imports</i>	<i>Turnover</i>
1965	9.3	2.1	11.4
1968	11.2	3.8	15.0
1969	7.1	4.1	11.2
1970	28.1	6.2	34.3
1971	27.7	7.8	35.5
1972	22.6	12.7	35.3

the US-Hungarian trade is comprised of a narrow range of agricultural commodities. In 1970-71 the sale of soybeans and soybean cakes for high protein feed amounted to 63% of total US exports to Hungary; other agricultural product and hides accounted for another 8%. In addition, most US machinery exports in 1971 consisted of agricultural equipment, including tractors, harvesters, and planting and cultivating machines. Hungary's most successful exports to the United States have been canned hams and shoulders (following the Polish tradition), with sales of \$2.5 million in 1970 and \$3.3 million in 1971 - more than two-fifths of Hungarian exports to the United States in both years.

6. In marked contrast to the modest volume of trade with the United States, Hungarian trade with the rest of the industrial West, led by West Germany, Italy, and Austria, reached about \$1.5 billion in 1971, or more

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than 25% of total Hungarian trade. Most imports from the West are machinery and equipment, semi-manufactures, and chemicals.

7. Hungary is enthusiastic, and perhaps unrealistic, about the prospects for increasing imports, especially machinery, from the United States. In August 1972, Jozsef Molnar, the Commercial Counselor to the United States, stated that a Hungarian study projected annual imports from the United States of \$100 million to \$120 million within two or three years after MFN was granted and reciprocal tariff reductions took place. Hungary probably has in mind a wide range of products in line with its plans for restructuring the economy under the new economic reform. Increased attention is being paid to developing consumer-related industries (food, textile, and paper), and plans have been made to expand production of fertilizer, pesticides, synthetic fibers, and rubber products. In addition to the imports needed to support these efforts, computer equipment and office equipment are likely areas for the expansion of US sales to Hungary. In return, Hungary hopes to sell the United States consumer goods, including textiles, furniture, and ceramics, and to increase sales of foodstuffs, especially canned ham and wine.

The NEM and Trade

8. The development of US economic relations with Hungary, and especially US exports, depends to a large degree on the implementation of the special features of the NEM introduced in Hungary in 1968. Under the NEM, the power of ministries was reduced and industrial enterprises were given the right to draw up plans for output, product assortment, and, within limits, investment. Guided by the NEM's new price system, enterprises were free to buy and sell where their advantage was greatest, domestically or abroad. The Hungarians also created a system of multipliers² to bridge the gap between domestic and foreign trade prices. Exporting enterprises and foreign trade organizations receive the actual trade prices converted to forints by the multiplier; importers pay the actual foreign exchange cost plus tariffs (for hard currency imports) or import sales tax (for ruble imports). The designers of the NEM hoped these changes would make trading organizations more responsive to foreign markets.

9. Enterprises are now less insulated from the world market. The largest firms can conduct their own foreign trade negotiations rather than going through a specialized trade agency. Wider contact with Western firms is generally encouraged and enterprises are granted the legal right to initiate, implement, and conclude production sharing agreements. In practice,

² These multipliers (60 forints to the dollar and 40 forints to the ruble) represent the average cost of obtaining dollars and rubles through exporting.

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however, partners in cooperative arrangements are usually brought together by Hungarian foreign trade organizations or specialized trade agencies. In any case, a license must be obtained if the cooperation agreement requires subsidies or other government support.

10. Enterprises have not moved very quickly to cope with their exposure to competition. A recent Hungarian survey of large enterprises that are allowed to engage in foreign trade, including trade organizations themselves, revealed that only 37% of the companies had one or more full-time employees assigned to market research. Of the foreign trade organizations, only 12% were studying competitive conditions in their markets, 12% were watching trends in their own product lines, and only 8% were trying to assess the impact of their advertising. Most enterprises were found to depend primarily on trade fairs and professional journals for information. Only 54% even looked at the catalogs of their competitors.

11. The government, for its part, has been slow to expose enterprises to market forces. Designed above all to prevent market disruption, the price reform and the new system of trade multipliers fell short of reflecting actual cost conditions. For example, the Hungarians estimate that housing rents are only 30% and coal 55% of cost, while the price of light industrial goods exceeds cost by 32%. As of 1971, free pricing reportedly covered 40% of industrial output with the remaining 60% subject to varying degrees of control, including fixed prices, price ceilings, and specified ranges of fluctuation. At the consumer level, only 24% of retail trade turnover came into the sphere of free pricing. Similarly, the trade multipliers were set at calculated average costs of foreign exchange, and as a result a substantial portion of foreign trade required massive subsidies. In 1968 these subsidies reportedly amounted to 70% of the value at domestic prices of all ruble exports and 60% of the value of all hard currency exports.

12. The Hungarians are trying gradually to reduce price distortions and foreign trade subsidies. Retail prices of heavily subsidized dairy products were hiked in 1973 and meat prices are scheduled to be raised in 1976. Since 1971, foreign trade subsidies -- formerly distributed according to individual enterprise requirements -- were distributed on the basis of an entire industry, thus rewarding efficient enterprises within an industry and penalizing inefficient ones. The government, however, continues to avoid more drastic measures, such as closing down inefficient enterprises.

13. In addition to the indirect effects of price and foreign trade subsidies on the flow of trade, administrative controls are also maintained by the state through a system of licensing all foreign trade transactions. Licenses, issued by the Ministry of Foreign Trade, are dispensed freely for imports of industrial raw materials. For other imports, licensing is employed

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to fulfill barter agreements with other Communist countries or to hold the line on excessive hard currency purchases. In addition to licenses, the state relies heavily on tariffs and quotas to keep firms from abusing their new freedom to deal more directly in foreign trade.

Tariff Constraints

14. In 1968, Hungary introduced a three-column tariff system, comprising some 3,000 line items, to control imports from the West. On the average these tariffs are high; the Hungarians themselves calculate the average tariff burden on imports at 20%, compared with 14% that their products encounter in Western countries. The range of rates is quite wide within commodity groups, as well as from one group to another, as shown in summary form in Table 2. The range among commodity groups reflects relative dependence on various types of imports. Industrial materials -- iron ore, copper, nickel, petroleum, textile fibers, raw hides, and rubber -- carry either no tariff or relatively low rates. To protect the Hungarian domestic market from disruption, semi-finished products bear higher rates and machinery and consumer goods the highest rates.

15. The range within groups is accounted for in great part by the difference among the three schedules. In the bottom range are preferential rates for imports from the less developed countries. Intermediate rates are charged on imports from industrialized countries that extend MFN treatment to Hungarian goods, apparently either on a de facto basis or by formal agreement. These ranged in 1968 from entire exemption to 5% ad valorem for raw materials, 5% to 20% for semi-finished products, and 40% to 50% for machinery, consumer goods, and other finished products. The levels for manufactures are well above those generally applied on an MFN basis by Western industrial countries. The highest rates are for other industrial countries, including the United States. Most of them are exactly double the intermediate rates.

16. The practical effect of the tariffs is hard to determine because of state intervention. Exemptions are granted for some goods admitted under negotiated quotas, for imports by favored organizations, and probably for other purposes. Exemptions were granted on a broad scale in 1968, followed by a tightening up in 1969. In 1970-71, exemptions again appear to have been freely granted in view of the spurt in imports from the West, especially in 1971. As a matter of policy, however, there has been little disposition to grant exemptions to the high rates applied to US goods. The government is not inclined to spend money where it does not earn money. Moreover, Hungary considers that its high tariffs can be a useful bargaining tool in bilateral and multilateral trade negotiations to reduce tariff and non-tariff barriers.

Table 2

**Hungary: The Range of Hungarian Tariffs
for Selected Product Groups^a**

<i>Commodity</i>	<i>Percent</i> <i>Ranges of Tariff Rates</i>
Living animals	0-50
Meats and other animal foods	15-80
Coffee, tea, and spices	10-100
Grain	0-25
Milled products, malt, and starch	5-50
Sugar and sugar products	30-80
Alcohol and alcoholic drinks	0-150
Tobacco	10-90
Copper products	0-8
Mineral fuels and distilled products	0-30
Inorganic chemicals	0-35
Organic chemicals	0-55
Fertilizer and plastic products	10-75
Rubber, synthetic rubber, and rubber goods	3-45
Raw and processed hides	5-60
Leather goods	20-70
Wood and paper products	0-50
Synthetic and artificial fibers	5-25
Wool and other animal fibers	5-20
Cotton	0-20
Linen	5-10
Thread	10-50
Cloth	30-100
Knit goods	25-60
Cloth garments	25-70
Footwear	25-50
Iron, steel, and products	0-50
Copper and products	0-40
Aluminum and products	0-30
Machines, instruments, and equipment	20-65
Vehicles	20-60

a. Based on ad valorem rates in 1968 and on averages in each category. Despite subsequent reduction of machinery rates, machinery and consumer goods continue to face the highest rates. Examples of high rates for the three-column tariff include: 100% for planing machines, drilling machines, and most lathes; and 80% for excavators, concrete mixers, coal mining machinery, and machinery for the production of house components. Personal motor cars, men's shoes, and stockings and panty hose also have an 80% three-column tariff.

CONFIDENTIAL**The Role of Quotas**

17. Another serious constraint on the freedom of action of Hungarian enterprises in foreign trade is the set of quantitative restrictions (QRs), or quotas, negotiated in agreements with most Western trading partners. QRs extended by Hungary to Western exporters presumably represent a limit on what the Hungarian importer as well as the Western exporter can do without special authorization. Conversely, Western import quotas limit sales by Hungarian exporters. In practice, the Western quotas, in spite of Hungary's pertinacious efforts to get them raised or entirely removed, often go unfilled.

18. Most trade agreements provide for quotas on Hungarian exports of textiles, clothing, and leather products. These are specified in some detail. Some agreements also include ceilings on Hungarian deliveries of ceramics, furniture, camping equipment, and bicycles, and on exports of steel, aluminum, selected chemical products, and electrical equipment. Many agricultural and food products are subject to ceilings, particularly canned vegetables; frozen fruit; fruit juices, preserves, and concentrates; meat; and sugar, pastry, and confectionery. All told, 20% to 30% of Hungary's exports to the industrial West are covered by quotas.

19. Hungary, in turn, sets country quotas for deliveries from its Western partners. These quotas are normally fully used, presumably because they reflect an intent to buy. Quotas apparently do effectively limit sales opportunities for Western firms trying to break into the Hungarian market. This is especially true for Western firms in countries that do not have trade agreements with Hungary. Special orders for key equipment, agricultural commodities, or other materials directly supported by the government obviously are not affected by quotas or tariffs.

20. Hungary's major Western trading partners have agreed that in 1973-74 they will unilaterally reduce the number of products covered by QRs or even eliminate QRs entirely. The long-term agreement (1970-74) with West Germany, Hungary's leading trade partner in the West, provides that West Germany will strive to remove QRs during the life of the agreement. This was qualified in a separate West German statement to the effect that West Germany would not "exclude the possibility of having to maintain exceptionally, and for weighty reasons, certain quantitative restrictions" beyond the life of the agreement. The agreement negotiated with Benelux in 1971 states as an objective the elimination of quotas by the terminal year, 1974. The agreement with the United Kingdom negotiated in March 1972 provided for the elimination of quotas in 1973-74 with certain exceptions - mainly, it appears, in textiles and agriculture. The

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Common Market presumably will take over the negotiation of QRs for its members some time in the near future which may have the effect of slowing the process of reducing QRs.

21. Austria appears to have gone the furthest in reducing restrictions. In a new five-year agreement with Hungary concluded in October 1972 the Austrians consented to abolish restrictions during 1973-74, subject to an escape clause that would allow Austria to reimpose restrictions to avoid market disruption. Hungary will continue to maintain quotas for Austrian goods, but imports will be permitted to grow about 40% in the five-year period.

22. As quotas are eliminated, there is the prospect that increasing use will be made of other types of market protection by Western importing countries, especially enforcement of fair pricing.³ Some trade agreements with Hungary already contain provisions, presumably at the initiative of the Western partner, covering pricing practice. The West German agreement was accompanied by an exchange of letters providing for "fair market" prices; and the agreement with Benelux called for the use of a "world market" price standard where applicable. In both cases, questions arising on pricing are to be referred to the mixed commissions set up in the agreements. No more precise provision is made in either agreement. As a matter of practice, West European countries have tolerated East European sales at prices far below the prices prevailing for generally similar Western goods.

23. Hungarian intentions regarding import quota reductions are not clear. Even if country quotas are eliminated, however, the Hungarians can always fall back on global quotas, licenses, and other import controls. For example, in 1972 the quotas for consumer goods imports from the West were cut back by 15%-20%.

Western Machinery and Cooperation Ventures

24. The Hungarians want more Western technology, but their fear that a large hard currency trade deficit could jeopardize the NEM has led to a cautious import policy. Known Hungarian orders for Western machinery and equipment declined sharply to \$15 million in 1972, compared with \$105 million in 1971. Although these figures are believed to be much smaller than actual orders, they do give an indication of general trends. Presumably, the Hungarians are only taking a breather before once more placing larger orders.

3. Fair pricing provisions are often included in bilateral trade agreements in order to discourage dumping by the Communist signatory.

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25. Included in the few large contracts to be completed in the next few years are textile machinery from West Germany, the United Kingdom, and France (\$60 million); an ethylene plant from Linde of West Germany (\$37 million); installations for a complex fertilizer plant and a urea plant from Gexa of France (\$21 million); and an installation to produce ammonia from Kellogg International of the United Kingdom (\$20 million). Some of the equipment for this last plant is to be procured in the United States. About \$14 million worth of the Kellogg contract is covered by a UK guaranteed credit that carries an interest rate of 5.5% a year and a repayment period of eight years from the estimated date of completion of the plant. Orders from the United States include a \$6.8 million contract with Corning Glass for know-how, technical assistance, and equipment for a glass factory; a \$2.5 million slab reheating furnace for carbon and silicon steel from the Rust Furnace Company; and IBM computers for the Gyor Railroad Car Factory.

26. The Hungarians appear to be more interested in procuring equipment through cooperative production sharing ventures than through straight contract orders. The main attraction of cooperative ventures is that they provide a means to make partial payment in goods and to avoid tariff and quota restrictions. Hungary has been one of the leaders in Eastern Europe in seeking cooperative ventures with the West. The pace of entering new agreements has stepped up since the introduction of the economic reform in January 1968. The government now provides financial assistance for enterprises that enter into production sharing agreements that promise increased foreign exchange earnings or improvement in the quality of production.

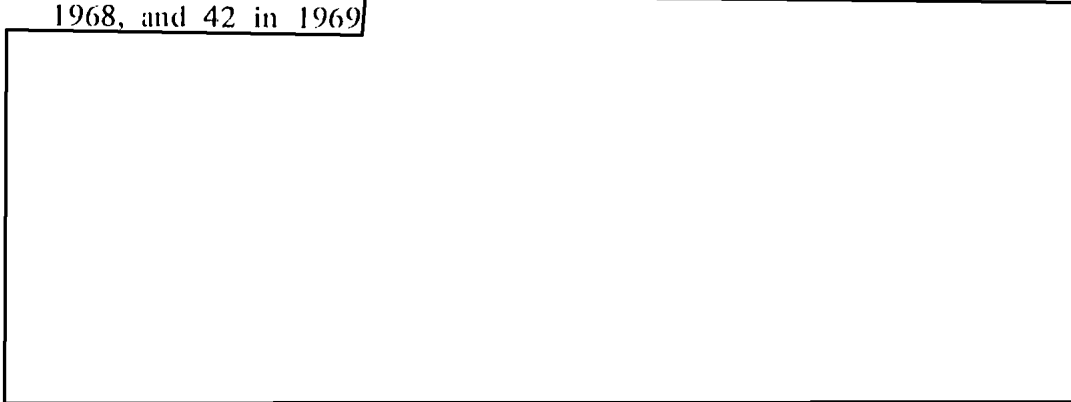
27. Cooperation agreements reached include agreements for processing and joint production for both domestic and third country markets. Joint or mixed commissions have the task of supervising these trade and cooperation agreements. A key factor in many of the agreements is the exemption of the output of cooperative ventures from QRs and, in the case of sales to third countries, from tariffs. Hungary, like other East European countries, places great weight on such an exemption, probably in the hope that sales from such agreements will become substantial in fields where there is little prospects of eliminating QRs.

28. Hungary has also set up an agency entrusted specifically with establishing and administering cooperative deals. Intercooperation Co., Ltd., created in 1970, has 20 shareholders, including the foreign trade enterprises, the Ministry of Foreign Trade, the Foreign Trade Bank, and the National Committee for Technical Development. In addition to bringing together potential partners and assisting in business negotiations, Intercooperation also attempts to find credit sources for the venture and can even participate

directly with its own financial means. Interooperation's authority stops short of final approval of cooperative ventures; all proposed deals must be approved by the government's Inter-Departmental Commission.

29. Hungary has by far the largest number of cooperative ventures with the West of any East European country. The aggregate value of the cooperation ventures, however, is small and they have generated very little in the way of exports -- apparently less than \$10 million in 1971. Hungary claims to have entered 27 cooperative agreements during 1963-67, 26 in 1968, and 42 in 1969

25X1



30. Production sharing arrangements with the West include motor vehicles, agricultural equipment, machine tools, communications equipment, pharmaceuticals, and synthetic fibers. Among the Western firms involved are Steyr-Daimler-Puch of Austria (buses and agricultural machinery), Berliet of France and Volvo of Sweden (buses), Maschinenfabrik Augsburg-Nuernberg (MAN) of West Germany (trucks), the White Motor Corporation of Cleveland (diesel engines), Renault (diesel engines), Industrie Werke Karlsruhe of West Germany (shipping containers), Thomson-Houston of France (closed circuit color television sets), Krupp of West Germany (automatic and numerically controlled lathes), Rateir Forest of France (metalcutting machine tools), Fiat (gas turbines for powerplants), Cranab of Sweden (bucket cranes), Ciba-Geigy of Switzerland (plant protection preparations), Siemens of West Germany (X-ray components and computer, telecommunications, and medical equipment), the Sandoz Pharmaceutical Company of Switzerland, and the Osterreichische Stickstoffwerke of Austria (herbicides and artificial fibers). The 1971 deal with MAN is a 10-year production sharing agreement whereby MAN will supply the Raba engineering plant in Gyor with drivers' cabs and other parts in exchange for engine and chassis components produced in Hungary. The agreement

4. Hungarian reporting is believed to overstate the actual number of cooperative agreements. Apparently included are not only agreements of long duration but also some important single transactions. Known production sharing agreements totaled about 55 by the end of 1972.

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allows Hungary to export the finished trucks to Eastern Europe, West Germany, France, and Austria. In the initial stage, MAN is to supply components worth about 50 million Deutsche Marks (\$13.7 million at 1971 exchange rates).

31. Cooperative ventures involving tourism are one of the more attractive possibilities for Western firms because they offer much greater assurance of hard currency earnings than do production ventures. Of the five known agreements in this area, three involve US firms. In 1966, Hungary signed an agreement with Tower International, Inc., for a hotel -- the Duna Intercontinental -- in Budapest. Hungary provided the site and some capital and Tower provided advisers and capital in return for a share of gross receipts. In a later agreement, Shell Oil (United States and the Netherlands) was to help construct Shell gasoline stations in Hungary and to supply management, advice, and Western goods and parts. Hungarian agencies were to own the stations. In 1972, Bank Americard announced that it would soon become the first bank credit card accepted in Hungary. IBUSZ, the Hungarian National Tourist Association, was to launch a merchant's acceptance program throughout Hungary.

32. The Hungarians have been willing to form jointly owned companies with Western firms, but all formed thus far are headquartered outside Hungary. The Hungarian state farm, Babolna, and the US firm, Corn System Production (CPS), formed a joint company called CPS-AG registered in Zug, Switzerland. [REDACTED]

25X1

[REDACTED] EuroAmerican TechnoCorporation, was established in May 1972 and is registered in Amsterdam and Curacao. This enterprise (50% Hungarian owned) is concerned with market research and sales of a Hungarian tissue substitute called fibrin bioplast. Other joint companies include two in London (Medichange and Medibase) created for the manufacture and sales of batteries and cells, one in France (Technotrans) to promote sales of Hungarian machine tools, and one in Italy devoted to the sale of Hungarian textile products. The newest joint enterprise to be set up is that established on a fifty-fifty basis by (1) the Chemolimpex foreign trade enterprise and the National Oil and Gas Industry Trust of Hungary and (2) the State-owned Schoeller-Bleckmann Stahlwerke AG of Austria. This company -- which will mainly handle sales of petroleum, chemical, and pharmaceutical equipment -- is registered as Internationale Gesellschaft fuer Erdoeltechnische, Chemische und Pharmazeutische Anlagen Handels GmbH. The joint company will be managed on a parity basis by a Hungarian and an Austrian director.

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33. Hungary has not yet made use of a law signed in October 1972 that makes possible foreign ownership in domestic enterprises. A 1970 decree had envisioned such ownership but apparently did not provide any powers for implementation. The new law provides that joint companies may be established as joint stock or limited liability companies, subject to approval by the Ministry of Finance. Such companies can engage in R&D, commercial, or service activities but not directly in production unless approved by the Council of Ministers. The foreign partner's share in the equity would "in general" be limited to 49%. The joint companies would be required to set aside up to 15% of wages and salaries as a profit sharing fund. Normal expenses and depreciation, together with allocations to the fund, would be deducted from profits, with the remaining profits to be taxed at a rate of 40% on up to one fifth of net assets and 60% on the remainder. The law provides for partial refunds in the case of reinvested profits. The Ministry's approval automatically guarantees the free transferability of profits and eventual repatriation of capital in the investor's currency.

34. The Hungarians probably will continue to enter cooperative agreements with the West at a rapid rate. It is doubtful, however, that they will permit any substantial foreign investment in domestic enterprises. The Hungarians do not want a substantial influx of capital just for the sake of upgrading production but, instead, are seeking increased inputs of technology. Thus they intend to be very discriminating about the type of foreign investment permitted. Mr. Odon Kallos, President of the Hungarian Chamber of Commerce, stated at a recent press conference in the United Kingdom: "We do not want significant foreign investment . . . It is a marginal and exceptional recourse . . . We have an ideological objection because we are a Socialist country and we have an economic objection because we have successfully managed our economy without it."

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